International Tax
Norway Highlights 2021

Updated January 2021

Recent developments

For the latest tax developments relating to Norway, see Deloitte tax@hand.

Investment basics

Currency: Norwegian Krone (NOK)

Foreign exchange control: There are no foreign exchange controls.

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/DA), branch of a foreign company (NUF), and sole proprietorship.

Corporate taxation

Rates	
Corporate income tax rate	22% (standard)
Branch tax rate	22%
Capital gains tax rate	0%/22%

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 resident 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 a broad exemption for capital gains on shares). Normal business expenses may be deducted in computing taxable income.

Rate: The standard corporate tax rate for fiscal years ending in 2020 is 22%. Enterprises engaged in financial activities generally are subject to corporate tax at a rate of 25%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

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 standard corporate tax rate of 22% (effective tax rate of 0.66%). For dividends received from a company resident 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 shares and voting rights of the subsidiary, or the ultimate parent (which need not be Norwegian) owns and controls directly or indirectly more than 90% of the shares and voting rights 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: Capital gains generally are taxable, subject to an exemption for gains on shares (see under "Participation exemption," below).

Losses: Losses may be carried forward without limit. Liquidation losses only may be carried back for two years.

Foreign tax relief: Tax credits for foreign tax paid are available in two baskets, for "income in low-tax jurisdictions" or "other foreign-source income." The maximum credit within each basket is limited to the lower of the foreign tax paid or 22% 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 certain dividends and capital gains.

Incentives: Limited R&D credits are available.

Compliance for corporations

Tax year: The tax year normally is the calendar year but may deviate in accordance with deviating accounting years.

Consolidated returns: There are no provisions for consolidated returns, but Norwegian group companies and Norwegian branches of EEA companies may make group contributions. For a group contribution to have tax effect, both the intragroup share ownership and voting rights percentages must exceed 90%.

Filing and payment: 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. Hardcopy tax returns are not permitted.

Penalties: Penalties normally are 20% but may be up to 40% of the tax that is, or could have been, avoided. Interest also may 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.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate***
	Up to NOK 184,799	0%
	NOK 184,800 – 260,099	1.7%
	NOK 260,100 – 651,249	4%
	NOK 651,250 – 1,021,549	13.2%
	NOK 1,021,550 or greater	16.2%
Capital gains tax rate—shares		31.68%
Capital gains tax rate—other		22%

* Plus 22% municipal and national tax

Residence: Individuals become permanent residents in Norway if they are 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.

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.

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.

Rates: For fiscal years ending in 2020, a combined municipal and national tax rate of 22% applies to net income. Income/loss due to ownership in companies and partnerships, such as gains on realization and distributions, is subject to a 1.44 multiplier before taxation; the effective tax rate is 31.68%.

A progressive bracket tax also applies to personal income, with four thresholds. The marginal rates are 1.7%, 4%, 13.2%, and 16.2%, and the corresponding thresholds are NOK 184,800, NOK 260,100, NOK 651,250, and NOK 1,021,550. The top marginal income tax rate is 38.2% (22% + 16.2%) exclusive of social security.

Capital gains: Capital gains for fiscal years ending in 2020 are taxed at a rate of 22%. 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) or if the taxpayer did not use the real property as its permanent residence for at least one year within the two-year period prior to the sale. 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 46% of salary, subject to a minimum and maximum employment income of NOK 31,800 and NOK 106,750, respectively. The standard personal deduction is NOK 52,450. A resident taxpayer is entitled to an unlimited deduction for interest paid on debt. (For individuals investing via certain transparent partnerships, the limitations mentioned under "Anti-avoidance rules, Interest deduction limitations," below, may apply.)

Foreign tax relief: Tax credits for foreign tax paid are available in two baskets, for "income in low-tax jurisdictions" or "other foreign-source income." The maximum credit within each basket is limited to the lower of the foreign tax paid or the estimated Norwegian tax on the foreign income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: While spouses generally are taxed as individual taxpayers, if each spouse derives income, a separate assessment may be claimed. Separate assessment typically is used if this results in a lower tax burden.

Filing and payment: Tax payable on employment income is withheld at source by the employer. The deadline for tax return filing for individuals not carrying out a personal business is 30 April following the year end.

Penalties: Penalties normally are 20% but may be up to 40% of the tax that is, or could have been, avoided. Interest also may 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.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%/25%*	25%*
Interest	0%	0%	0%/15%**	0%
Royalties	0%	0%	0%/15%**	0%
Fees for technical services	0%	0%	0%	0%

* May be reduced under an applicable tax treaty.

** As from 1 July 2021 on payments received by certain related companies domiciled in low-tax jurisdictions (i.e., jurisdictions where these companies are subject to an effective corporate income tax rate that is less than two-thirds of the rate that would apply to comparable Norwegian companies). May be reduced under an applicable tax treaty.

Dividends: No withholding tax is imposed on dividends paid to Norwegian residents. 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 (see "Participation exemption," above). Otherwise, the applicable tax treaty rate will apply. Distributions to corporate shareholders resident outside the EEA or individual nonresident shareholders are subject to a 25% withholding tax, unless the rate is reduced under a tax treaty.

Interest: Norway generally does not impose withholding tax on interest. As from 1 July 2021, Norway will impose withholding tax on interest payments made to certain related companies domiciled in low-tax jurisdictions.

Royalties: Norway generally does not impose withholding tax on royalties. As from 1 July 2021, Norway will impose withholding tax on royalty payments made to certain related companies domiciled in low-tax jurisdictions.

Fees for technical services: Norway does not impose withholding tax on technical service fees.

Branch remittance tax: There is no branch remittance 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.

Interest deduction limitations: Interest on debt generally may be deducted to the extent the net interest expenses do not exceed 25% of adjusted tax EBITDA (taxable income plus interest costs and tax depreciation). For groups, NOK 25 million in net interest expenses for Norwegian entities within the group generally should be deductible regardless of tax EBITDA (for non-group companies, a de minimis threshold of NOK 5 million in net interest expenses applies at the company level). For groups subject to an interest limitation, relief may be sought under two potential "equity escape" rules where a company or Norwegian part of a group has documented (and an auditor has confirmed) that its adjusted equity ratio is not greater than two percentage points lower than the equity ratio of the consolidated group as reflected in the group's accounts prepared by the ultimate parent entity. However, certain related party debt still may be limited regardless of de minimis threshold or equity escape rules.

Controlled foreign companies: If at least 50% of the shares in a foreign company resident outside the EEA are held or controlled directly or indirectly by Norwegian resident taxpayers and the foreign company is effectively subject to less than two-thirds of the Norwegian tax on the same income, the foreign company is treated as a controlled foreign company (CFC) unless Norway has entered into a tax treaty with the relevant country and the income is not mainly of a passive nature. The same conditions apply to companies resident in an EEA country, except that the foreign company is not considered a CFC if real business activities are carried out in the relevant jurisdiction.

Hybrids: Norway has not implemented anti-hybrid rules other than an exception to the participation exemption regime for dividends paid to a Norwegian tax resident if the foreign payer company has been granted an income tax deduction for the dividend distribution in its country of residence. When a capital instrument has both debt and equity features, the tax authorities adopt a substance-over-form approach. It is common practice to make an overall assessment of an instrument's main features to determine whether it should be treated as debt or equity.

Economic substance requirements: A substance-over-form approach is recognized in Norwegian case law/tax practice. Thus, in arrangements that are primarily artificial, anti-avoidance legislation applies such that the legal form of an arrangement may be disregarded and tax levied in accordance with the economic substance of the transaction.

Disclosure requirements: Norway has introduced country-by country (CbC) reporting rules. Documentation must be provided by 31 December of the year following the financial year-end. For entities other than Norwegian-based ultimate parents, a reporting obligation generally will apply only if entities further up the ownership chain are resident in countries not having an agreement with Norway for the automatic exchange of information. In connection with the tax return filing, however, Norwegian group companies must state which company within the group will fulfill the CbC reporting obligation and the country where that entity is resident.

Exit tax: 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 conditional 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, one-seventh 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.

General anti-avoidance rule: The current Norwegian GAAR is a statutory rule under which a transaction may be disregarded or reclassified for tax purposes if the main purpose of the transaction was to obtain a tax advantage and an overall assessment warrants that the transaction should be disregarded or reclassified for tax purposes. In making an overall assessment, relevant criteria include, among others, whether the transaction has commercial value and other effects in Norway and abroad; the extent of the tax advantage; whether the transaction is unreasonable with regard to its economic purpose; whether the same result could have been achieved in a manner not captured by the GAAR; how the relevant tax provisions are drafted; and whether respecting the transaction would be contrary to the objectives of the relevant tax provisions or general tax principles.

Value added tax

Rates	
Standard rate	25%
Reduced rate	0%/12%/15%

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

Rates: The standard rate is 25%; a lower rate of 15% applies to food and drinks, and a 12% rate applies to 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 due dates each year (every second month).

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals and are imposed at the national level.

Social security contributions: A person resident or working in Norway is a compulsory insured “member” under the 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%.

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.

Capital duty: There is no capital duty.

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 and type of the property. Some municipalities do not levy the tax.

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

Stamp duty: A 2.5% stamp duty is levied on deeds of conveyance related to property/real estate.

Net wealth/worth tax: Individuals are subject to wealth tax on capital exceeding NOK 1.50 million, at a flat rate of 0.85%.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: Other taxes include petroleum revenue tax and tonnage tax.

Enterprises engaged in financial activities generally are 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).

Tax treaties: The OECD multilateral instrument (MLI) entered into force for Norway on 1 November 2019. For information on Norway's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Norwegian Tax Administration

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