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Norway – Budget Measures Undergo Minor Amendments in Final Legislation

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flash Alert

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Amended budget measures were enacted in legislation that was published on 17 December 2015 in *Norsk Lovtidend*, Norway's official gazette.¹ The key measures include reformed personal tax rates and bands as the current surtax is effectively replaced with a so-called "step tax," an increase in the standard deduction for single parents, and revisions to the scope of the net wealth tax regime.

For prior coverage, see GMS [Flash Alert 2015-132](#), 4 November 2015.

Why This Matters

In spite of the amendments to the budget that we describe in this newsletter, international assignment-related costs could still diminish slightly, as employees on assignment subject to tax in Norway may see a slight reduction in their marginal tax rates. Also, the higher exemption under the net wealth tax regime should help keep some individuals from being caught in the wealth tax net. The overall impact of the tax changes in the approved budget as enacted, however, will depend on each person's particular circumstances.

Where appropriate, adjustments by payroll administrators to withholdings should be made, if they haven't done so already.

Income Tax on Employment Income and Single Parents' Standard Deduction: Slight Changes in Newly Introduced "Step Tax" (Trinnskatt)

The newly introduced four-bracket tax system replacing the current surtax system has been modified slightly – and is now called the "trinnskatt" – and was approved in such form by Parliament.

For 2016, the following brackets are applicable.

Tax Rate	Income Brackets
25%	Ordinary income (uncapped)
0.0%	Up to NOK 159,800
0.44%	Over NOK 159,800 to NOK 224 900
1.7%	Over 224,900 to NOK 565,400
10.7%	Over 565,400 to NOK 909,500
13.7%	Over NOK 909,500

Source: KPMG, Norway

[NOK 1 = EUR 0.104 | NOK 1 = GBP 0.080 | NOK 1 = USD 0.114 | NOK 1 = SEK 0.97]

KPMG Note

Due to the new tax rate brackets, the overall marginal tax rate will be lowered from 47.2 percent to 46.9 percent (38.7 percent tax plus 8.2 percent employee social security charges), though higher than indicated in the original budget, due to the decision to amend the budget and impose a .1-percentage point increase to the rates (for prior coverage, see GMS [Flash Alert 2015-135](#), 10 November 2015).

Standard Deduction for Single Parents

The government decided on increasing the standard deduction for single parents from NOK 48,804 (2015) to NOK 51,804 (2016), slightly more than originally proposed in the budget.

Net Wealth Tax

The government held steady the net wealth tax rate at 0.85 percent. Although, as enacted, there is an increase to the basic allowance for wealth tax from NOK 1.2 million to NOK 1.4 million (NOK 2.8 million for married couples).

The approved final budget measure stipulated that the taxable value of second dwellings (sekundærbolig) and commercial property will be left unchanged from the current 70 percent (it had been proposed in the original budget to raise it to 80 percent) of estimated market value. However, the taxable value for an *additional* second home, in 2016, will be set at 80 percent of the market value.

Footnote:

1 For the published legislation (in Norwegian), see *Norsk Lovtidend* :
https://lovdata.no/artikkel/stortingets_skatte- og_avgiftsvedtak_for_2016/1644 .

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