

Norway Country Profile

EU Tax Centre

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Key tax factors for efficient cross-border business and investment involving Norway

EU Member State No

Double Tax Treaties With:

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

Most important forms of doing business Limited Liability Companies (AS)
Public Limited Company (ASA)

Legal entity capital requirements Minimum capital requirement:
Private Limited Company = NOK 30,000.
Public Limited Company = NOK 1,000,000.

Residence and tax system

The Norwegian legislation does not provide a definition of the term "resident", however a company is deemed to be resident in Norway if its management and control at the board level is exercised in Norway. In practice, however, a company is normally deemed to be resident if it is incorporated under Norwegian law. The management and control test is therefore applied mainly to companies set up outside of Norway. Norwegian resident companies are subject to tax on their worldwide income.

A discussion paper published by the Ministry of Finance in 2017 includes a proposal to codify and amend rules regarding tax residency. In the outline, the proposal provides that companies incorporated under Norwegian law shall be resident in Norway for tax purposes unless a tax treaty provides for a different residency. For companies incorporated in other jurisdictions, it is proposed that the decisive factor should be whether the company's actual management is conducted in or from Norway. The proposal represents a widening of the assessment in comparison to existing practice.

The changes were proposed to have effect from the income year 2018, but have not yet been enacted.

Compliance requirements for CIT purposes

As a starting point, the fiscal year follows the calendar year. There is no specific tax registration process in Norway.

Generally, companies resident in Norway are subject to tax in Norway on their worldwide income. Further, if a non-resident company is registered in the Norwegian Companies Register, it is deemed to have a tax filing obligation and limited tax liability in Norway. The tax return must be filed electronically by May 31 of the year following the income year (April 30 for upstream companies), and the tax assessment is generally available in October the same year.

The tax payable is due in advance in two installments, the first payment is due on February 15 and the second payment is due on April 15. Any additional tax must be paid by May 31 of the year after the income year to avoid late payment interest charges. The difference between the tax paid in the two installments and the final tax payable is due three weeks after the tax assessment, which is usually issued in October.

Corporate income tax rate

The standard corporate income tax rate is 23 percent.

Withholding tax rates

On dividends paid to non-resident companies

25 percent, unless a lower rate applies under a DTC. There is no withholding tax on dividend payments to corporate shareholders within the EEA, subject to certain conditions.

On interest paid to non-resident companies

No. There is no withholding tax on interest. The Tax Commission's 2014 report on tax reform recommended to introduce WHT on interest. The Norwegian

Ministry of Finance has stated that it is in the process of preparing a public discussion paper, but with no clear indication of when it will be published.

On patent royalties and certain copyright royalties paid to non-resident companies

No. There is no withholding tax on royalties. The Tax Commission's 2014 report on tax reform recommended to introduce WHT on royalties. The Norwegian Ministry of Finance has later stated that they intend to publish a discussion paper.

On fees for technical services

No

On other payments

No

Branch withholding tax

No

Holding rules

Dividend received from resident/non-resident subsidiaries

Under the exemption system, corporate shareholders are exempt from taxation of dividends and gains on shares, except for a claw-back of 3% on dividends. The claw-back does not apply if the dividend is distributed within a tax group (holding requirement: more than 90 % of the share capital and voting rights) where the distributing company is resident within the EEA. Correspondingly, losses on shares qualifying for the exemption method are not deductible.

The exemption system applies to all investments within the EEA. Companies resident in low tax jurisdictions within the EEA are eligible for the exemption system provided they are genuinely established and perform real economic activity in the relevant jurisdiction (substance requirement). The fulfilment of this condition is based on the particular facts and circumstances.

For investments outside the EEA, there is a 10% ownership requirement on share capital and voting rights of the foreign company as well as a two-year holding requirement. In addition, the exemption method does not apply to investments outside the EEA where the level of tax is below 2/3 of the Norwegian tax that would have been due if the foreign company had been resident in Norway (both a white list and a black list exists).

Further, where the distributing company is a foreign company that can deduct the dividend payment, the dividend is not exempt for the Norwegian company receiving the dividends (anti-hybrid rule).

Capital gains obtained from resident/non-resident subsidiaries

Exemption (100 percent). As of January 1, 2012, there is no add-back for capital gains. Reference is made to Section "*Holding rules - dividend received from resident/non-resident subsidiaries*" for further details.

Tax losses

Losses of any kind may be offset against income from all sources and against all capital gains. Excess losses may be carried forward indefinitely, regardless of changes in ownership or reorganization, provided the main objective of the transaction was not to benefit from the offsetting of the loss (anti avoidance rule). With regard to the winding up of a company, the losses may be carried back two years.

Tax consolidation rules/Group relief rules

There is no consolidation of groups for tax purposes, but relief for losses may be claimed within a group by way of group contributions. Group contributions are deductible for the contributor and taxable income in the hands of the recipient.

The holding requirement is 90%. This means that the parent company must hold, directly or indirectly, more than 90% of the shares and the voting rights of the subsidiary. The ownership requirement must be met at the end of the fiscal year.

Under the non-discrimination clauses of double tax conventions, group relief is available for contributions made between a branch of a foreign resident company and a subsidiary of the same foreign company. Further, foreign companies resident within the EEA are considered comparable to Norwegian companies for group relief purposes as long as they are taxable in Norway through a permanent establishment and the group relief is taxable in Norway.

Registration duties

Registration fee of NOK 6,797 (NOK 5,570 if done electronically) (approximately EUR 720) and additional fees of NOK 2,832 (approximately EUR 300) for other declarations.

Transfer duties

On the transfer of shares

No.

On the transfer of land and buildings

On the transfer of immovable property: 2.5 percent of the fair market value. No other stamp duties apply.

Stamp duties

No

Real estate taxes

From 0 percent to 0.7 percent at municipal discretion. Local municipal authorities may levy a property tax. The tax may vary between 0.2 to 0.7 percent of the taxable fiscal value of the property. For residential property the property tax may be levied on the wealth tax basis. Each municipality is free to decide whether or not to levy property tax.

Controlled Foreign Company rules

CFC rules apply where Norwegian companies or individuals, jointly or separately, directly or indirectly, hold 50 percent or more of the share capital of a low taxed, non-resident company (threshold of two-thirds of the equivalent

Norwegian rate). The CFC legislation is not applicable to controlled EEA companies that satisfy the substance test, nor where a DTC has been concluded with the company's state of residence and the income is deemed "active income". A 'white list' and a 'black list' apply but these are not decisive.

Transfer pricing rules

General transfer pricing rules

A general arm's length provision is contained in the General Tax Act. Furthermore, the OECD Transfer Pricing Guidelines must be taken into account when applying the arm's length principle on cross-border transactions. The same should apply for domestic transactions.

Documentation requirement

Generally, the Norwegian transfer pricing documentation requirements consist of a filing requirement in the Annual tax return, transfer pricing documentation in the form of a Master File and Local File and a country-by-country report. The various documentation requirements are subject to conditions.

Thin capitalization rules

Interest deduction limitation rules apply to limited liability companies, Norwegian branches of foreign companies and partnerships. The rules will limit the intra-group interest deduction to an amount equal to 25 percent of taxable ordinary income adjusted for the value of tax depreciation and net interest expenses for tax purposes. This value approximates earnings before interest, taxes, depreciation and amortization (EBITDA). Disallowed interest expenses can be carried forward for ten years. There is a general exemption from the limitation rules if the net (external and internal) interest cost is less than NOK 5 million per taxpayer per financial year.

General Anti-Avoidance rules (GAAR)

A general anti-avoidance standard developed by the courts exists, under which transactions undertaken with little or no other purpose than avoiding tax under certain circumstances may be disregarded for tax purposes. The standard is wide-ranging.

A codification of the anti-avoidance standard is currently under review, but the proposal has not yet been implemented.

Specific Anti-Avoidance rules/Anti-Treaty Shopping Provisions/Anti-Hybrid rules

A special anti-avoidance rule applies where a company has been part of a merger/demerger or the ownership was changed through any other transaction. Tax positions not linked to an asset or debt may be lost if the main reason for the transaction is the target company's tax position.

Advance Ruling system

The Directorate of Taxes as well as local tax inspectors can issue binding advance rulings.

IP / R&D incentives

Companies conducting research and development may be granted tax relief, provided that the research program has been approved by the Research Council of Norway. The tax relief is generally limited to 18 percent of the company's R&D costs, with a maximum relief of NOK 20 million. However,

under specific conditions the tax relief may be granted for an amount corresponding to 20 percent of the company's R&D costs, with a maximum tax relief of NOK 50 million.

Other incentives

No. There are few tax incentives in Norway. The exemption method opens for a sale of a business or assets as a tax exempt sale of shares. The tonnage tax regime is aimed at aiding the shipping business. In addition, there is a beneficial capital allowances regime for the development of a large-scale plant for cold compression of natural gas in northern Norway. Furthermore, a company can get a refund of the tax value of losses related to exploration on the Norwegian shelf (i.e. 78 percent).

VAT

The standard rate of VAT is 25 percent, and a reduced rate of 15 percent applies to food products. A further reduced rate of 10 percent applies to public transportation services, hotel lodging, broad-casting charges, cinema shows, and some cultural and sporting services. Admission to theatres, opera, concerts, etc. are outside the scope of VAT.

Other relevant points of attention

Extra taxation on income from financial services: In Norway, the financing and insurance sector is exempted from VAT. However, a new type of tax ("finansskatt") was introduced with effect from January 1, 2017, which is meant to compensate for this exemption. The additional tax is levied at 5 percent of the total salary payments reported by the company, in addition to an increased standard corporate tax rate of 25 percent (for most other sectors the standard tax rate is 24 percent). The tax covers companies in the financing and insurance sector with more than 30 percent of their business exempt from VAT.

Source: Norwegian tax law and local tax administration guidelines, updated 2018.

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