KPMG

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 the following countries, territories and jurisdictions:

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

As of January 1, 2019, Norwegian legislation contains a statutory definition of the term "resident". Companies incorporated under Norwegian company law are Norwegian tax residents, unless, in accordance with an applicable tax treaty between Norway and another country, the company is deemed a tax resident in such country. Companies not incorporated in Norway are resident if they have their "actual management in Norway". The main criteria for “actual management” include where board-level management and daily executive management is performed. In addition, other circumstances relating to the organization and business activities of the company are relevant.

Norwegian resident companies are subject to tax on their worldwide income.

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 22 percent. An additional 56 percent surtax applies for upstream petroleum exploration and exploitation. For hydroelectric power production, a surtax of 37 percent applies. The tax base for the surtaxes deviates from the tax base for ordinary corporation tax.

Withholding tax rates

On dividends paid to non-resident companies

The statutory dividend withholding tax rate is 25 percent, unless a lower rate applies under a tax treaty. 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

There is no withholding tax on interest. The Norwegian Ministry of Finance on February 27, 2020 issued a public consultation paper that proposes to introduce a withholding tax regime on interest payments made to related parties. The withholding tax rate would be 15% of the gross amount of the payment, unless an applicable income tax treaty provides a lower rate of withholding. The withholding tax will be levied on interest payments made to related parties that are residents of "low-tax jurisdictions". It is proposed that the legislation will have effect from January 1, 2021.

The recipient is tax resident in a "low tax jurisdiction" if the taxpayer is subject to an effective tax rate less than two-thirds of the tax rate that would have been levied in Norway on the same income. Parties are considered to be related if there is a direct or indirect ownership of 50% or more or one of the parties has the equivalent level of control.

Entities that are residents and that conduct “genuine economic activity” within EU/EEA could possibly be subject to the Norwegian withholding tax based on a Net Method (that is, taxed at the statutory income tax rate of 22% after deducting costs directly connected to the loan arrangement). In order to use the Net Method the taxpayer must file an Annual Tax Return in Norway.

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

There is no withholding tax on royalties. The Norwegian Ministry of Finance on 27 February 2020 issued a public consultation paper that proposes to introduce a withholding tax regime on royalty payments made to related parties. The withholding tax rate would be 15% of the gross amount of the payment, unless an applicable income tax treaty provides a lower rate of withholding. In contrast to interest payments, royalty payments shall not be limited to related companies that are residents in low-taxed jurisdictions. The legislation is proposed to have effect from 1 January 2021.

Entities that are residents and that conduct “genuine economic activity” within EU/EEA could possibly be subject to the Norwegian withholding tax based on a Net Method (that is, taxed at the statutory income tax rate of 22% after deducting costs directly connected to the loan or lease arrangement). In order to use the Net Method the taxpayer must file an Annual Tax Return in Norway.

On fees for technical services

No.

On other payments

In the public consultation paper issued on February 27, 2020, The Ministry of Finance considered introducing a withholding tax on lease payments for certain tangible assets, thereby effectively extending the royalty definition to include payments for the use of commercial and industrial equipment. Lease of capital-intensive and mobile tangible assets such as vessels, rigs, and aircrafts could be within scope of this proposal.

Branch withholding tax

No.

Holding rules

Dividend received from resident/non-resident subsidiaries

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

The exemption applies to all investments within the EEA. Dividends from low-taxed companies within the EEA are eligible for the exemption, provided they are genuinely established and perform economic activities of substance in the relevant jurisdiction (i.e. these are not wholly artificial arrangements). The fulfilment of this condition is based on the particular facts and circumstances.

For investments outside the EEA, there is a 10 percent and two-year ownership requirement on share capital and voting rights in the foreign company. In addition, the exemption does not apply to dividends from low-taxed entities (threshold of two-thirds of the equivalent Norwegian rate).

Where the distributing company is a non-resident 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

Capital gains are exempt under the same circumstances as dividends. No claw-back applies.

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). Losses may be carried back two years when a company is wound up.

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 more than 90 percent. This means that the parent company must hold, directly or indirectly, more than 90 percent 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 (NOK 1,440 if done electronically) (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 0.5 percent at municipal discretion, as of FY 2020. Local municipal authorities may levy a property tax. The tax may vary between 0.2 to 0.5 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 to levy property tax, but restrictions apply in respect of the annual percentage increase to the tax rate.

Controlled Foreign Company rules

Controlled Foreign Company (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 does not apply to;

a) Controlled EEA-resident companies that satisfy the substance test, and

b) Companies resident in a country with which Norway has a tax treaty unless the income of the non-resident company is mainly of a passive nature.

A 'white list' and a 'black list' apply but the white list is short and may not be entirely relied on.

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. These rules also apply to domestic transactions.

Documentation requirement

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 Limitation rules

Earnings stripping rules apply to limited liability companies, Norwegian branches of foreign companies and partnerships. The rules limit the deductibility of interest paid to related parties 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 (tax 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.

As of January 1, 2019, additional earnings stripping rules apply for net interest (from related and unrelated parties) for companies that are part of a consolidated group or could be part of a consolidated group under IFRS.

Net interest costs exceeding NOK 25 million in total for Norwegian entities of a consolidated group will be non-deductible unless within 25 percent of the tax EBITDA.

An exception to the proposed rules applies if the Norwegian entities' equity ratio is equal to or higher than the group ratio on the highest consolidated group level. A deviation of 2 percentage points is accepted. The applicable ratios are based on closing balances for the year prior to the fiscal year in scope.

The starting point for the assessment of the equity ratio is the consolidated financial statements and the accounts of the company. In addition, any balance sheet items deriving from non-Norwegian entities (e.g. shareholdings in subsidiaries) should be carved out in order to determine the Norwegian debt-to-equity ratio.

The consolidated financial statements used for comparison purposes should be prepared under NGAAP, Japanese GAAP, U.S. GAAP, IFRS or the accounting rules in another EEA Member State.

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.

The general anti-avoidance standard was codified with effect from 1 January 2020. Generally, the statutory GAAR should be similar to the general anti-avoidance standard developed by the courts with respect to scope, content and threshold for application. There are however certain changes, one of them being that the assessment is objectified.

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. As of January 1, 2020, the tax relief is generally limited to 19 percent of the company's R&D costs, with a maximum relief of NOK 25 million.
Other incentives	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. Also, a five year straight line depreciation is allowed for certain windmill assets. Furthermore, a company can get a refund of the tax value of losses related to exploration on the Norwegian shelf at the Petroleum Tax rate.
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 12 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. The financial and insurance sector is exempted from VAT. A financial activities tax ("finansskatt") was introduced with effect from January 1, 2017, which is meant to compensate for this exemption. An 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 22 percent). The tax covers companies in the financing and insurance sector with more than 30 percent of their business exempt from VAT.
Mandatory Disclosure Rules Updates	For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's MDR Updates page.
COVID-19 Resources	An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here. For further insight into the potential tax, legal and mobility implications of COVID-19, please refer to the dedicated KPMG page.

Source: Norwegian tax law and local tax administration guidelines, updated 2020.

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