



# GMS Flash Alert

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## Norway - Budget 2022 Has Several Measures Affecting Individuals

The State Budget 2022 and its tax proposals for 2022 were passed by Storting, Norway's parliament, on 21 December 2021, and apply from January 2022.<sup>1</sup>

Among the measures affecting individuals – including those on international assignment – are a small increase in the top tax rate; introduction of an additional step (step 5), with a new rate, to the bracket tax table; increases in various allowances; lowering the amount of charitable contributions that can be claimed for deduction; and changes to the tax-free discount for the acquisition of shares in an employment share programme.

The recent Ordinance (Meld. St. 1 2021-2022), presented to Storting by the previous Solberg government as Norway's National Budget 2022, had been amended by the new government, headed by prime minister Støre, on 8 November 2021.<sup>2</sup> The 2022 National Budget includes new provisions in the country's tax legislation for 2022 (Prop. 1 LS 2021-2022).<sup>3</sup>

The new provisions, with significant changes in tax brackets for income and wealth tax, reflect the Norwegian government's goal to reallocate wealth and the tax burden more equitably.

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### WHY THIS MATTERS

The changes in tax rates and other provisions in Norway's tax legislation, which are effective from calendar year 2022, generally increase the tax burden of employees with high income and wealth, whereas employees with lower income and wealth may benefit from the new rules.

Moreover, employees who become members of the Norwegian Social Security Scheme will benefit from the decrease of employee social security contributions.

Other measures simply reflect the annual adjustments in standard deductions and allowances applicable to taxpayers and stipulate the changes to be implemented in the country's fiscal code, valid as of 1 January 2022.

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Because of the changes to income tax and taxpayer allowances, companies with international assignees who are subject to Norwegian taxation may see a slight increase in their assignment-related costs for assignees with higher income.

In cases of assignments to Norway where assignees are subject to Norwegian taxation, and for assignees working outside Norway but still subject to Norwegian taxation, international assignment cost projections and budgeting should reflect the changes described in this newsletter once they come into effect. Where appropriate, adjustments to gross-up packages and withholding taxes may need to be considered.

Each individual’s tax status should be determined in light of his or her particular situation.

## Budget Tax Changes in Brief

The changes in the tax rates, and other changes, that the government proposed and were subsequently passed by Parliament are meant to balance an increasing social disequilibrium in the light of global instability and crisis, and to secure economic growth in an extremely dynamic environment.

### Tax on General Income

The tax rate on ordinary income (*alminnelig inntekt*) is kept unchanged in 2022 at a rate of 22 percent for individuals and companies.

### Maximum Rate of Tax Payable by an Individual Taxpayer

The top tax rate (*marginalskatt*), including Employee National Insurance Contributions, will be increased by 1 percent to 47.4 percent for 2022 (2021: 46.4 percent, taking into consideration a decrease of 0.2 percent for employee National Insurance Contributions).

### 2022 Rates in the Bracket Tax

Income tax on employment income (*personinntekt*) is assessed according to the “bracket tax” table (see below) in addition to the ordinary tax rate of 22 percent (mentioned above), where the taxpayer’s annual income exceeds certain thresholds.<sup>4</sup>

The 2022 rates of the bracket tax are kept stable for step 1 and step 2; however, the rates have been increased by 0.2 percentage points in steps 3 and 4. Moreover, an additional step 5 has been introduced with a new rate of 17.4 percent. The adjustments aim to limit income tax on lower income, whereas taxpayers with higher income shall be taxed harder.

	Bracket Tax 2022 (NOK)		Rates
<b>Step 1 Threshold</b>	190,350	267,900	1.7 percent
<b>Step 2 Threshold</b>	267,901	643,800	4.0 percent
<b>Step 3 Threshold</b>	643,801	969,200	13.4 percent
<b>Step 4 Threshold</b>	969,201	2,000,000	16.4 percent
<b>Step 5 Threshold</b>	above 2,000,000		17.4 percent

Source: KPMG in Norway

[NOK 1 = EUR 0.099 | NOK 1 = USD 0.1126 | NOK 1 = GBP 0.0843 | NOK 1 = DKK 0.739 | NOK 1 = SKK 1.023]  
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## Minimum Allowance (*Minstefradag*)

The rate for the minimum allowance (akin to a standard deduction covering expenses normally connected with employment) is unchanged at 46 percent of gross employment income.

However, the maximum amount of the allowance increases from NOK 106,750 (2021) to NOK 109,950 (2022). The taxpayer may choose, instead, to claim a deduction for actual expenses if these are higher.

## Minimum Allowance (*Minstefradag*) for Retirement Income

The maximum amount of the allowance related to retirement income is increased from NOK 88,700 to NOK 90,800.

## Personal Allowance

The personal allowance for ordinary income is adjusted to NOK 58,250 (from NOK 52,450 in 2021).

## Social Security Contribution

The rate applied for National Insurance Contribution purposes (*trygdeavgift*) is reduced to 8.0 percent from 8.2 percent in 2021. The lower wage limit to which National Insurance Contributions apply is set at NOK 64,650, an increase from NOK 59,650 (2021).

The rates for the employer part of the National Insurance Contribution will remain unchanged, i.e., general rate is still 14.1 percent. It is important to note that the employer part of the National Insurance Contribution is “zoned” and could range from 0 percent to the maximum rate of 14.1 percent.

## Wealth Tax

The basic allowance for wealth tax purposes increases to NOK 1,700,000. The wealth tax rate of 0.7 percent for municipal tax has been unchanged.

As far as the tax rate for the state is concerned, the government is introducing a new two-step system as noted in the table on the next page:

	NOK	Rate
<b>Step 1 Threshold</b>	1,700,000 and above	0.25 percent
<b>Step 2 Threshold</b>	20,000,000 and above	0.4 percent

Source: KPMG in Norway

Thus, the overall wealth tax rates have increased to 0.95 percent on net wealth of NOK 1,700,000 and above and 1.1 percent on net wealth of NOK 20,000,000 and above.

## Valuation Discount (Wealth)

### Residences

From 2022 onwards, the valuation discounts on primary residences will depend on the value of the residence and essentially remains at 75 percent. For primary residences with a market value above NOK 10 million, the discount will be only 50 percent. For secondary residences, the discount has been tightened to 5 percent of market value, i.e., they are valued at 95 percent of market value effective 2022.

## Shares and Assets

The valuation discount on capital, i.e., shares and fixed assets, including commercial real estate property, and the “reduction” rate for assigned debt, decreases from 45 to 25 percent. Hence, the taxable value for such capital is set at 75 percent of market value.

The valuation discount for shares and assets, including commercial real estate property, reflects the government’s intention to sharpen wealth tax on private savings in share investments.

## Share Dividends and Capital Gains

Share dividends and capital gains are taxed at the ordinary tax rate of 22 percent (2022). However, the “upward adjustment factor” for dividends and capital gains in ordinary income is increased from 1.41 (2021) to 1.6 for tax calculation purposes in 2022. Thus, the effective tax rate on capital gains and dividends for 2022 is 35.29 percent. The same applies when determining the tax-deductible loss from the sale of shares, i.e., the same upward adjustment factor is used.

## Other Measures

- **Commuters – Adjustments of deduction rules for expenses:** The rate per kilometer has been adjusted from split rates to a unitary rate of NOK 1.65 for travels between home and office. The “own-contribution” to be covered by taxpayers for such expenses has been significantly decreased from NOK 23,900 (2021) to NOK 14,000 (2022).
- **Deduction for donations:** Effective 2022, donations will only be tax-deductible up to an amount of NOK 25,000, compared to NOK 50,000 in 2021.
- **Discounts in employment:** The maximum tax-free discounts from employers to employees remains unchanged at NOK 5,000. However, the tax-free discount for the acquisition of shares in an employment share programme has been abolished effective 2022.
- **Contributions to unions (union fees):** The tax deduction for annual union fees has been increase from NOK 3,850 (2021) to NOK 5,800 (2021).
- **Individual Pension Insurance (old age) – Premiums:** The tax deduction for annual premiums to individual old age insurance has been decreased from NOK 40,000 (2021) to NOK 15,000 (2022).
- **Child-care allowance:** The ceilings for the annual deduction of expenses related to child-care remain unchanged at NOK 25,000 for the first child and NOK 15,000 for each additional child.

## FOOTNOTES:

- 1 For *Arbeidsplan for Stortingets budsjettbehandling («terminlisten»)*, see (in Norwegian): <https://www.stortinget.no/no/Saker-og-publikasjoner/Statsbudsjettet/statsbudsjettet-2022/arbeidsplan/> .
- 2 See National Budget 2022 (in English) at: <https://www.regjeringen.no/en/national-budget/2022/id2871447/> .
- 3 See “Prop. 1 LS (2021–2022) Proposition to the Storting (bill and draft resolution) For the Fiscal Year 2022” (in English) at: <https://www.regjeringen.no/en/dokumenter/prop.-1-ls-20212022/id2875345/> .
- 4 For more on individual taxation in Norway, see *Taxation of International Executives: Norway*, a publication of KPMG International, at: <https://home.kpmg/xx/en/home/insights/2021/07/norway-taxation-of-international-executives.html> .

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