

# GMS Flash Alert



2023-244 | December 18, 2023

## Norway - Budget 2024 Agreement Reached

On December 3, a consensus was reached between Norway's minority government and their supporting party in Parliament on the 2024 state budget.<sup>1</sup> The budget agreement seeks to satisfy the demands of disparate parties in the governing coalition and includes changes to social security taxation, the personal deduction, and the employer tax. The budget agreement expands the scope of the exit tax rules and effects adjustments to the personal income tax brackets.

Below is a brief overview of some of the changes.

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### WHY THIS MATTERS

The changes in tax thresholds and other provisions in Norway's budget agreement, which will be effective from calendar year 2024 (unless otherwise stipulated), generally increase the tax burden of employees with high income and wealth, whereas employees with lower income and wealth may benefit from the changes featured in the budget agreement.

Moreover, employees who are covered by the Norwegian Social Security Scheme will benefit from the slight decrease of employee social security contributions.

Other measures simply reflect the annual adjustments in applicable standard deductions, allowances, and the tax brackets.

However, with the lowering of the Bracket 5 threshold, more individuals with higher income will be included in that bracket. Because of this change, 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

## No Significant Changes in Tax Rates or Bases for Income and Wealth Taxes

- There will be minimal changes in income taxation.
- The tax bracket changes include moderate increases in the threshold amounts for the first three brackets and a 10-percent reduction for Bracket 5 (hence more people will pay the marginal tax rate on salary income).
- The entry points for the progressive tax brackets will be adjusted.
- The social security tax will be lowered from 7.9 percent to 7.8 percent.
- The personal deduction will increase from NOK 79,600 to NOK 88,250.

## Employer Tax – Continued Extra Employer Tax in 2024

The government has raised the income threshold for the additional employer contribution (*arbeidsgiveravgift*) from NOK 750,000 to NOK 850,000 starting from 2024. This reduces the number of employers impacted by this extra charge because the raised threshold is seen as a first step in phasing out this additional employer tax.

Introduced in 2023 to cover extraordinary costs in the state budget, this additional employer tax serves as a temporary extra income source for the state because of the special situation Norway, like other European countries, was in, including increased expenses in many areas.

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## KPMG INSIGHTS

It's important to note here that this additional employer tax affects the employer, not the employee. The fact that the threshold is raised to NOK 850,000 means that fewer are subject to it (the employers), and as a result, the general costs for employers are somewhat reduced.

The raised threshold is expected to result in a revenue loss of NOK 1.520 billion for the state. It remains uncertain when and if the temporary additional employer tax will be abolished.

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## Expatriation Tax

The exit tax is a tax on unrealised gains on shares and securities owned by an individual emigrating from Norway, either according to the Norwegian Tax Act or a tax treaty. In order to mitigate the exit tax, individuals are able to transfer the shares to a person who has already emigrated from Norway, provided that this person is not “a close family member.”

Under the budget agreement, the exit tax rules are expanded to cover transfers of shares to anyone tax resident or domiciled outside Norway from 3 December 2023.

**Table: Tax Rates, Deductions, Thresholds, and Employer Contribution in 2023 and 2024 Following Budget Agreement**

This table details the adjustments in the tax brackets, social security contributions, and employer contributions, demonstrating a mix of stability and minor shifts in the Norwegian tax system.

Category	2023 Rules	2024 Rules (Agreement)	Change 2023-2024
<b>Tax on Ordinary Income</b>			
Individuals	22%	22%	-
<b>Bracket 1</b>			
Threshold	NOK 198,350	NOK 208,050	+4.9%
Rate	1.7%	1.7%	-
<b>Bracket 2</b>			
Threshold	NOK 279,150	NOK 292,850	+4.9%
Rate	4.0%	4.0%	-
<b>Bracket 3</b>			
Threshold	NOK 642,950	NOK 670,000	+4.2%
Rate	13.5%	13.6%	+0.1 %
<b>Bracket 4</b>			
Threshold	NOK 926,800	NOK 937,900	+1.2%
Rate	16.5%	16.6%	+0.1 percentage point
<b>Bracket 5</b>			
Threshold	NOK 1,500,000	NOK 1,350,000	-10%
Rate	17.5%	17.6%	+0.1 %
<b>Social Security Contribution</b>			
Wage Income	7.9%	7.8%	-0.1 %
<b>Extra Employer Contribution</b>			
Threshold	NOK 750,000	NOK 850,000	+13.3%
Rate	5%	5%	-
<b>Tax on Gross Income for Foreign Workers (PAYE Scheme)</b>			
(Withholding Tax)	25%	25%	-

Source: KPMG, Norway

[NOK 1 = EUR 0.088 | NOK 1 = GBP 0.076 | NOK 1 = USD 0.096 | NOK 1 = DKK 0.656 (source: www.xe.com)]

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## KPMG INSIGHTS

### Next Steps

On 6 October, Finance Minister Trygve Slagsvold Vedum presented the national budget and a proposal to Parliament for the 2024 state budget. The budget framework was adopted on 4 December. Starting from 1 January, the budget will be implemented as adopted by Parliament.

### Covering These Measures with Companies with Assignees Coming to Norway

For new assignees inbound to Norway, pre-departure and/or on-arrival conversations with those who will be subject to Norwegian tax law should include mention of applicable tax rates, thresholds and brackets, exemptions, credits, allowances, and the impact on the assignee.<sup>2</sup>

Employers and employees concerned about the effect of the above-noted changes and how to budget for and otherwise plan the employee's assignment, should contact their qualified tax professional or a member of the Global Mobility Services team with KPMG in Norway (see the Contacts section).

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## FOOTNOTES:

1 For more details, see "The National Budget 2024" on the government of Norway's website (in English and Norwegian) at: <https://www.regjeringen.no/en/national-budget/2024/id2994174/> .

2 For more on individual taxation in Norway, see *Taxation of International Executives: Norway*, a publication of KPMG International, at: <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2023/01/TIES-Norway.pdf> .

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## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Norway:



**Roger Hoffmann**  
Tel. +47 4063 9478  
[roger.hoffmann@kpmg.no](mailto:roger.hoffmann@kpmg.no)



**Håkon Rakkenes**  
Tel. +47 4063 9242  
[hakon.rakkenes@kpmg.no](mailto:hakon.rakkenes@kpmg.no)

**The information contained in this newsletter was submitted by the KPMG International member firm in Norway.**

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