

Norway Country Profile

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The intention of this profile is to give a brief sketch of certain items which may be of importance in doing business in Norway. It is not a complete overview. For further information please contact Oslo Revisjon AS.

Introduction

Norway is one of the largest countries in Europe yet the population is only 4.4 million. The country is characterized by political stability, and is at present governed by a coalition of non-socialist parties. Norway is an industrialized country which enjoys relatively low tax rates, low inflation (1998: 2,4 %) and low unemployment (< 3 %). Labor costs are high and represent a large percentage of total production costs. Free enterprise is encouraged, and the government maintains an open position towards foreign investments in Norway.

Norway is an associated member of the European Union (EU), which gives Norway access to the EU's internal market for a substantial number of products. Norway has adhered to the EU principles of free movement of goods, persons, services and capital.

Economy/Foreign Investments

Economy

Norway is rich with natural resources. Her main industries have been based on hydropower, oil and gas, mining, shipping and shipbuilding, timber and fish. In recent years she has been very active in developing high technology products. Tourism is also an important contributor to the economy. About 80 % of Norwegian exports go to the European market.

Norway's most important imports are: machinery, metals, chemical and mineral products, cars, textiles, clothing and foods. Most of the imports are from the European market.

Norway is the second largest oil and gas exporting country of the world. Mostly due to this export, Norway has a formidable surplus on her trade balance. In 2000 this surplus is calculated to increase by USD 10 - 13 billion.

Foreign investments

The Norwegian government promotes free trade and deregulation of business. Norwegian and foreign investors are usually taxed in the same manner. There are few restrictions on foreign direct investments. A purchaser of one third, one half or two thirds of an existing enterprise which has more than 50 employees or sales over USD 6.5 million, is required to notify the Ministry of Trade. In certain industries foreign ownership is limited: finance (stockbroking and mutual fund management) 33.33 %, fisheries 40 %, air transport 33.33 %. In the offshore industry individual concessions are granted to foreign oil companies to develop and operate new oil fields.

There are no price or currency exchange controls on imports or exports. In order to protect the home industry, imports of certain goods may be subject to quotas or other restrictions. The

import of physical financial assets and cash must be reported to Norwegian customs on entry. Exports are generally not restricted except that licenses are required for exports to a limited number of countries, and for exporting certain items, such as arms and ammunition. There are no general foreign exchange controls in effect. Capital and earnings may be freely repatriated, but may be subject to taxation.

Tax Rates

Corporate

The 1999 tax rate for taxable income of corporations is 28 %.
There is no tax on assets.

Branch income tax

Foreign companies conducting business in Norway are usually subject to corporate income tax. A notable aspect for branches is that interest paid to the head office abroad is not deductible.

Individual

The taxation of individuals is based on either of the terms ordinary income (net profit) and personal income (gross wages, pensions, etc.). The tax rates depend on which tax class the person belongs to. There are three classes:

- 0 Foreigners with income derived from a business enterprise or real estate in Norway.
(Not applicable to foreign stockholders).
- 1 Single person and married person assessed separately.
- 2 Married couples assessed together and one-parent families.

The 1999 tax rates are as follows:

Class 1:

Tax on ordinary income	NOK 0 - 26.300	0,0 %
	over NOK 26.300	28,0 %
Tax on personal income	NOK 0 - 269.100	0,0 %
	over NOK 269.100	13,5 %
Social security, pension, on personal income		7,8 %

Class 2:

Tax on ordinary income	NOK 0 - 52.600	0,0 %
	over NOK 52.600	28,0 %
Tax on personal income	NOK 0 - 318.600	0,0 %
	over NOK 318.600	13,5 %
Social security, pension, on personal income		7,8 %

The maximum marginal tax rate for individuals, including social security and pension premium, is consequently 49,3 %.

If the income in whole or partly is derived from a personal enterprise, the rate of social security and pension on that part of the income will increase to 10,7 %. The maximum marginal tax rate will then increase to 52,2 %.

Individuals are generally subject to taxation on the value of their net capital. Capital held abroad is not taxable in Norway.

The 1999 tax rates are as follows:

Class 1:		
Municipal tax on capital	NOK 0 - 120.000	0,0 %
	over NOK 120.000	0,7 %
State tax on capital	NOK 0 - 120.000	0,0 %
	NOK 120.000 - 420.000	0,2 %
	over 420.000	0,4 %
Class 2:		
Municipal tax on capital	NOK 0 - 120.000	0,0 %
	over NOK 120.000	0,7 %
State tax on capital	NOK 0 - 150.000	0,0 %
	NOK 150.000 - 530.000	0,2 %
	over NOK 530.000	0,4 %

The maximum marginal tax rate on capital is consequently 1,3 %.

Income Tax Treaties

The income tax treaties serve to mitigate double taxation, reduce withholding tax rates, and facilitate information exchange between treaty nations. Income tax treaties have been signed with:

Albania, Argentina, Australia, Austria, Azerbaydzhan, Barbados, Belgium, Benin, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Faroe Islands, Gabon, Gambia, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Kazakhstan, Kenya, Latvia, Lithuania, Luxembourg, Macedonia, Malawi, Malaysia, Malta, Mexico, Morocco, Nepal, the Netherlands, the Netherlands Antilles, New Zealand, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Senegal, Sierra Leone, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Switzerland, Sweden, South Africa, South Korea, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Kingdom, USA, Venezuela, Vietnam, Yugoslavia, Zambia and Zimbabwe.

National Insurance Contributions

The financing of the National Insurance Scheme is based on payments from both employees and employers, as well as government contributions.

The employees' contribution is 7,8 % of their gross wage.

For employers', contribution rates vary from 14,1 % to 0 %, according to which region of the country the individual employee is considered to be resident. On individual wages beyond approximately NOK 743.000 (1999) the employers have to pay an additional charge of 12,5 %

Value Added Tax (VAT)

The Norwegian VAT system is based on similar principles to those applied in the EU countries. In Norway, however, there is an additional investment tax on assets like machinery, vehicles and office equipment, and on several consumables.

The current VAT rate is 23 %. The investment tax rate is 7 %.

VAT is imposed on the last link in the turnover chain. Registered enterprises are generally entitled to a refund of the VAT paid on purchases. On the other hand they have to pay investment tax on certain purchases, which is not refundable but deductible in the income. There are, however, special exemptions for manufacturing firms, where expenses and investments related to the means of production are exempt from investment tax.

Inheritance Tax

Inheritance tax is payable on all inheritance from a person who, while alive, was domiciled in Norway, or was a Norwegian citizen. The same applies to gifts to persons entitled to inherit.

The tax rates are as follows:

Parents and children	NOK 0 - 200.000	0,0 %
	NOK 200.000 - 500.000	8,0 %
	over NOK 500.000	20,0 %
Grandchildren etc.	NOK 0 - 200.000	0,0 %
	NOK 200.000 - 500.000	10,0 %
	over 500.000	30,0 %

Real Estate Registration Fee and Stamp Duty

These fees and duties are payable at the time when the transfer of ownership is registered with the real estate registrar. The rate is currently 2,5 % of the purchase price.

Special Duties

Special duties are imposed on certain types of goods. This applies to the sale of cars, gasoline, alcoholic beverages, tobacco and chocolate. The rates are fixed on an annual basis and included in the sale price.

Types of Business Organizations

Foreign investors may conduct business in Norway as a branch or through a corporation. Registration costs are fairly low.

Types of organizations:

- Public joint stock company (ASA)
- Private joint stock company (AS)
- Branch of foreign joint stock company
- General partnership (ANS)

- Partnership with divided liability (DA)
- Limited partnership (KS)
- Silent partnership
- Joint venture
- Sole proprietorship

Public and private joint stock companies

A joint stock company is an enterprise where none of the participants are personally responsible for the company's liabilities. Joint stock companies listed on the Oslo Stock exchange must be public joint stock companies (ASA). The provisions concerning respectively public and private joint stock companies are slightly different. The minimum equity requirement for a public joint stock company is NOK 1.000.000 and NOK 100.000 for a private joint stock company. The general rule is that a joint stock company is required to maintain sufficient equity for the conduct of the business. Before paying dividends the equity requirement is a minimum of 10 % of total assets. Stockholders subject to taxation in Norway do not pay tax on dividends received. However, for foreign stockholders a withholding tax is levied. According to the various tax treaties the tax rate is from 0 to 15 %. Most tax treaties are based on the credit principle, which means that a foreign stockholder will have a refund corresponding to the tax withheld in Norway.

Branch of foreign company

This corporate form implies that the foreign company is liable for the liabilities of the branch with all its assets, at home and abroad. There is no minimum equity requirement. Branches are frequently used by foreign investors, particularly for short term investments or special projects.

General partnership and partnership with divided liability

A general partnership (ANS) is an enterprise where each participant has unlimited personal liability for the liabilities of the enterprise, and which towards third parties act as a unit. A partnership with divided liability (DA) is an enterprise where each participant's personal liability is limited to his share in the partnership. There is no minimum equity requirement. These types of corporations appear mostly in small enterprises to avoid equity investments and involve less formalities than other types of corporations.

Limited partnership

A limited partnership (KS) is an enterprise where at least one of the participants has unlimited liability for the obligations of the enterprise, while the liability of the other participants is limited to a fixed amount. The minimum equity requirement is NOK 100.000 whereof 40 % has to be paid on incorporation.

Silent partnership

A silent partner is a partner in an enterprise where it is agreed that the participation shall not appear towards third parties, and where the silent partner is liable only for a fixed amount. It can be agreed that a silent partner shall be allocated a share of the profit or deficit. There is no minimum equity requirement.

Joint venture

A joint venture is a business enterprise regulated by an agreement between two or more parties. It is frequently used in project related cooperation, such as large building projects.

Such agreements typically concern a single project and are wound up on the completion of the project. There is no minimum equity requirement.

Sole proprietorship

An individual may establish a sole proprietorship. The individual will then be the sole owner and will have unlimited liability for the enterprise's debts both with enterprise-related assets and personal assets. This corporate form is used mostly for small business enterprises and there is no minimum equity requirement.