



ESTABLISHING A BUSINESS IN NORWAY

2nd EDITION

- TYPES OF BUSINESS ORGANISATION
- COMPANY TAXATION
- VAT

- EMPLOYEE TAXATION
- SOCIAL SECURITY CONTRIBUTIONS
- THE LABOUR MARKET

ERNST & YOUNG IN NORWAY

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Introduction

Ernst & Young Norway has again teamed with Oslo Teknopol, the development agency for the Oslo region, to present this introductory guide to establishing a business in Norway. Whether to gain access to the Norwegian and Scandinavian markets or tap into Norway's wealth of knowledge and technology, companies making the move to Norway need to know about options and requirements when setting up a business here. This publication presents a structured review of practical aspects such as type of business enterprise, tax implications, possible cooperation with suitable partners, employment and employee regulations, rules of accounting and publication, etc.

Ernst & Young's team of experts can help businesses make informed decisions tailored to their specific needs, while Oslo Teknopol is the prime source of information about the Oslo region, and the starting point for contacts in the commercial, industrial and political communities. Together we look forward to helping your business enterprise get started in Norway.

August 2005

Ernst & Young

Oslo Teknopol IKS

Oslo, Norway

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A. Norway – a country with a favourable business climate

Norway is a highly developed democratic society with a strong and stable economy that offers attractive opportunities for international business enterprises. Foreign capital, knowledge and technology have traditionally played an important role in the development of Norwegian trade and industry, and international cooperation has become even more important to Norway's growth in an increasingly global economy. Though Norway has chosen not to become a member of the European Union (EU), Norwegian and foreign-owned companies located in Norway have full access to the EU market – including the new member states – through the European Economic Area (EEA) agreement.

Formal requirements to be met when establishing a business in Norway are few, and costs are low. Norway has a flat 28% corporate and capital gains tax rate and a social security system that provides national health and unemployment insurance. There is a stable and transparent political climate with a well-functioning public sector that makes it relatively simple and straightforward to run a business enterprise.

Norway's work force is among the most highly educated in the world and the cost of skilled labour and management is very competitive. Norwegians have good proficiency in foreign languages and are known to be early adapters of new technology. Together with its Scandinavian neighbours, Norway is ranked as a world-leading information economy. The infrastructure is good, providing modern and efficient telecommunications and transport systems. At the hub of Norway's economic and technological development is the capital region, Oslo. As the political, financial, and creative vortex of the country, Oslo has matured into a uniquely sophisticated yet accessible Scandinavian metropolis.

B. Types of business organization in Norway

1. General

Business activities in Norway may be organised in a number of different ways. The most commonly used types of business organisation by foreign companies wishing to establish a business in Norway are:

- Branch (filial)
- Private limited liability company (AS)
- Public limited liability company (ASA)

Partnerships in various forms are also quite commonly used. The rules applying to the formation of branches, limited liability companies and partnerships are described in more detail below. It should be noted that the description is limited to the general rules in Norwegian Company Law and thus does not cover special law that could apply for certain business activities, e.g. for banking, insurance and financial services institutions.

2. Branch

2.1 General

A foreign company may conduct business in Norway through an office run by local management and manned with local staff (a branch). The advantage of a branch over a limited liability company or a partnership is that the branch is easier to establish and easier to close down.

A branch is not a separate legal entity, but a registered office (department) of a foreign company. No capital contribution is required. The branch may distribute its profits and transfer its funds without any restrictions to the foreign company (headquarters).

The foreign company is liable for all debts of the branch, without limitation, to the extent of its entire capital. This obligation extends beyond the life of the branch, i.e. even after the branch has been closed down.

The name of the branch, which may be the name of the foreign company or a different name, must include the addition of "Norsk avdeling av utenlandsk foretak" (Norwegian branch of foreign company). It should be noted that certain limitations do apply to the name of the company.

2.2 Registration

Branches that conduct business activities in Norway are to be registered with the Norwegian Register of Business Enterprises ("Foretaksregisteret"). The term business activities mean activities of a financial or commercial nature. When assessing whether or not a foreign company conducts activities in Norway that qualify as business activities, several factors must be taken into consideration, e.g.:

- The nature of the business activities
- The period of time during which the company has carried on business activities in Norway
- The use of Norwegian subcontractors
- The entering into of other agreements with Norwegian companies/individuals
- Other business activities in Norway

Usually, business activities exceeding a period of 12 months will always be considered to constitute businesses that are liable for registration.

Registration is done using a special form and the process should normally take two to three weeks. The registration fee for a branch is currently NOK 2 500. The branch office should be registered with the Norwegian Register of Business Enterprises before it may conduct business activities in Norway.

For more detailed information you may visit the website of the Norwegian Register of Business Enterprises, <http://www.brreg.no/english/>.

2.3 Management

A branch is not required to have a separate board of directors or a general manager. If a branch board of directors or a general manager is appointed, signatory rights granted and recorded in respect of the branch will apply in respect of the foreign company in general. It is not possible to limit the signatory rights to apply to the operations of the branch only.

Branches that do not have a general manager are required to register a contact person with the Norwegian Register of Business Enterprises. The contact person must be a resident of Norway and could be either an individual or a company (e.g. a legal representative, book-keeper, accountant, etc.).

2.4 Closing down a branch office

If a branch is to be closed down, it must be deregistered in the Norwegian Register of Business Enterprises. There are no other specific formalities to observe in connection with the discontinuance of operations. It should be noted that the parent company is liable for debt and other liabilities incurred by the branch even after it has been closed down.

2.5 Representative/agent

An overseas company that does not wish to register a branch office in Norway may instead run a business through the agency of a broker, a commission agent or some other independent representative.

Provided that the relevant matter is not governed by the provisions of the Agent Act no. 56 of 1992, the liabilities and responsibilities between the parties will be governed by the agreement concluded between the foreign principal and the Norwegian agent, commissionaire, employee, etc.

The consequences with respect to compliance, registration, taxation etc must be determined based on the facts of the relevant case. E.g. for tax purposes it may be important to distinguish between an independent and dependent agent, since the use of a dependent agent normally will trigger tax liability for the foreign principal.

3. Limited Liability Companies

3.1 General

A foreign company may conduct its business in Norway through a Norwegian limited liability company. There are two kinds of limited liability companies:

- Private limited liability company (AS)
- Public limited liability company (ASA)

Limited liability companies are separate legal entities. The liability of the shareholders of a limited liability company is limited to the paid in share capital and premium. Thus, the shareholders are not liable for the obligations of a limited liability company unless they have explicitly assumed such obligations.

3.2 Founders

One or more individuals or legal entities may found a limited liability company. No requirements exist concerning the place of residence or registered address of the founders. An application for registration of the company must be filed within 3 months counting from the date of signing of the memorandum of association. The founders are personally liable for obligations incurred by the company until it is registered with the Norwegian Register of Business Enterprises. A limited liability company is thus not considered established until registered with the Norwegian Register of Business Enterprises.

3.3 Share Capital and Classes of Shares

The minimum share capital requirement is NOK 100 000 for a private limited liability company and NOK 1 000 000 for a public limited liability company. The share capital must be paid in cash or by contribution in kind. All shares in a company must be fully paid in before the company can be registered.

All shares of the company must have the same value. There may be several classes of shares in a company that differ according to dividend yields, voting rights, ownership restrictions and other criteria. However, all shares of the same class must have the same dividend and voting right, etc.

3.4 Required Equity and Duty of Action if Loss of Equity

Limited liability companies are required from time to time to have an equity that is sound based on the risk and the extent of the activities of the company. If a limited liability company has an equity that is lower than what constitutes a sound level, the board of directors must take immediate action and within reasonable time call a shareholder's meeting, which shall decide on how to remedy the lack of equity. The equity is always considered to be lower than what constitutes a sound level if it is lower than 50% of the registered share capital.

At the general meeting, the board of directors must give an account of the financial position of the company; propose any action to be taken, including dissolution of the company if no other solution may be found or agreed upon.

3.5 Registration, Registration Fees and Stamp Duty

An application for registration of the limited liability company must be filed with the Norwegian Register of Business Enterprises within 3 months counting from the date of signing of the memorandum of association.

Registration may be done electronically over the Internet or on a special form (paper). If submitted electronically, the registration should normally take 3-4 days. (Counted from when the Norwegian Register of Business Enterprises has received a signed printout of the electronic registration form, together with the required enclosures.) If the registration is not made electronically, but by using the special form on paper, it should normally take 2-3 weeks to process the registration. The registration fee for a limited liability company is currently NOK 6 000. No stamp duty applies to the registration of limited liability companies, share capital or changes in share capital, etc.

For more detailed information you may visit the website of the Norwegian Register of Business Enterprises, <http://www.brreg.no/english/>.

3.6 Shelf Company

An alternative to forming and registering a new company, is to buy an existing company (a so-called shelf company). However, this is rarely necessary due to the short time required to set up a new entity. However, by doing so, the founders will avoid liability for the company's obligations in the period from the time of foundation to the time of registration.

3.7 Required Company Bodies and Management

The Board of Directors

Limited liability companies are required to have a board of directors. The board of directors administers the company's business and organizes the company's operations. Private limited liability companies with a share capital of less than NOK 3 000 000 may have a board of directors consisting of two members; one director and one deputy member. Private limited liability companies with NOK 3 000 000 or more in share capital and public limited liability companies must have a board consisting of at least three members. If the company has a corporate assembly the board should have at least five members.

The employees are entitled to representation on the board of directors if the company has more than 30 employees and does not have a corporate assembly. The number of employee board members to which employees are entitled varies with the total number of employees in the company.

The general manager may be elected as the chairman of the board in private limited liability companies with a share capital of less than NOK 3 000 000. In private limited liability companies with NOK 3 000 000 or more in share capital and public limited liability companies the general manager may not be the chairman of the board.

At least half the members of the Board of Directors should be resident in Norway or be citizens and residents of EEA countries. An exemption may be granted by the Ministry of Trade and Industry.

The General Manager

A general manager is optional for private limited liability companies with a share capital of less than NOK 3 000 000. Private limited liability companies with NOK 3 000 000 or more in share capital and public limited liability companies are required to have a general manager.

The general manager should be resident in Norway or be a citizen and a resident of an EEA country. An exemption may be granted by the Ministry of Trade and Industry.

The Corporate Assembly

Limited liability companies with more than 200 employees are required to have a corporate assembly unless otherwise agreed upon with the employees. The corporate assembly should consist of at least 12 members. The corporate assembly elects the chairman of the board of directors.

3.8 Distribution of Dividends and Capital Reduction

Dividends may only be distributed within the dividend capacity of the limited liability company. The dividend capacity is the profits of the year in question and other free equity, less:

- Uncovered losses
- The book value of research and development, goodwill and net deferred tax assets recorded in the balance sheet
- The part of the profit that according to law or the articles of association must be allocated to undistributable reserves or cannot be distributed as dividends

If the equity, according to the balance sheet, amounts to less than 10% of the balance sheet total, the company cannot distribute dividends without following special proceedings to notify the creditors.

Dividend distributions are determined at the shareholder's meeting. The shareholder's meeting may also decide a reduction of the share capital or paid in share premium. Certain formal requirements and special procedures must be followed in connection with a capital reduction.

Distribution of dividends or a capital reduction must not exceed what is reasonable considering the financial position of the company.

3.9 Dissolution and Winding-up

If a solvent limited liability company is to be wound up voluntarily, the shareholder's meeting must adopt a resolution on dissolution of the company by the same majority as required for an amendment to the Articles of Association (approval from at least two thirds of both the votes cast and the share capital represented). The shareholder's meeting must also appoint a new board of directors, which will act as the board of directors during the winding-up proceedings and replace the board of directors and the general manager.

The shareholder's meeting may reverse a resolution on voluntary dissolution with the same majority as required for the adoption of the resolution on dissolution.

Dissolution may also be required by law, e.g. in case of insolvency, or by conditions in the Articles of Association of the company. It should be noted that in such a case special regulations apply.

The resolution on dissolution of the company must be reported immediately to the Norwegian Register of Business Enterprises. Such a notification must include information on the members of the board of directors during the winding-up proceedings. On receipt of the notification the Norwegian Register of Business Enterprises will publish notices, twice with one week interval, to the creditors of the company about the decision to dissolve the company. The creditors must prove their claims with the chairman of the dissolution board within two months after the second notice on dissolution has been published.

During the winding-up proceedings and until the company's obligations have been covered in full, the shareholders may only receive distribution of dividends within the dividend capacity of the company. Distribution of liquidation proceeds may, however, be made if sufficient funds are deposited to cover any uncertain or disputed obligations. The shareholders are jointly and severally liable to creditors who have not received satisfaction for

their claims, however, for each shareholder limited to the amount of liquidation proceeds received.

4. Partnerships

4.1 General

A foreign company may conduct its business in Norway through a partnership.

The following partnerships are available:

- General Partnership (ANS)
- General Partnership with Shared Liability (DA)
- Limited Partnership (KS)
- Internal Partnership (indre selskap)

Partnerships are independent legal persons. The liability of the partners would depend on the type of partnership. A partner may be an individual or a legal entity.

General Partnership (ANS)

In the general partnership all partners are general partners with unlimited liability. The general partners are jointly and severally liable for the obligations of the partnership.

General Partnership with Shared Liability (DA)

The general partnership with shared liability differs from the general partnership in that the responsibility of the general partners is unlimited but shared pro rata between the partners.

Limited Partnership (KS)

In the limited partnership there must be at least one general partner with unlimited liability for the obligations of the partnership, and at least one limited partner with liability limited to the partner's share of the committed capital.

Internal Partnership (indre selskap)

The internal partnership must have at least one general partner with unlimited liability for the obligations of the partnership. If there is only one general partner, there must also be at least one silent partner. Silent partners could have unlimited liability or liability limited to the partner's share of the committed capital.

Internal partnerships do not act as separate legal entities in relation to third parties. Further, any silent partner shall not be apparent towards third parties. Any and all rights, obligations and position of a party are ascribed to the general partners. This implies that the general partner will remain party to all agreements and transactions entered into by the internal partnership

It should be noted that internal partnerships are tailor-made for the specific needs of the partners, and are thus of a complex nature. Such partnerships should therefore be established in cooperation with tax, legal and accounting advisors.

4.2 Establishment

Two or more individuals or legal entities may establish a Norwegian partnership by entering into a partnership agreement. However, a Norwegian general partnership is also de facto established when two or more individuals or legal entities conduct business activities in Norway at joint risk and reward, and at least one of the individuals or legal entities has unlimited liability for the obligations of the business. A de facto partnership would in most cases be considered to be a general partnership, but could also be an internal partnership.

For all types of partnerships, except the internal partnership, it is required to have a written partnership agreement. The partnership agreement should be in accordance with the provisions in the Norwegian Partnership Act, and should as a minimum include the following information:

- The name of the partnership
- The name and place of residence of the partners (except for silent partners)
- The objective of the partnership
- The municipality where the partnership shall have its head office
- Whether the partners shall make a contribution of capital to the partnership, and the value of any contributed assets

If there is no written agreement, the relationship between the parties will be governed by the Norwegian Partnership Act. Although an unwritten partnership agreement should be binding in the case of an internal partnership, a written agreement is recommended due to the potential problems in clarifying what has been agreed upon between the partners.

4.3 Committed Capital

There is no required minimum committed capital for general partnerships and general partnerships with shared liability. The partners may therefore freely agree on whether there shall be a committed capital and whether any amount should be paid in.

Limited partnerships are subject to detailed regulations with regards to the committed capital. Each limited partner must have a committed capital of at least NOK 20 000. Further, the general partner must have at least 10% of the total committed capital. Thus, in a limited partnership with one general partner and one limited partner the committed capital of the general partner must be at least NOK 2 223 and the minimum committed capital of the company must be NOK 22 223.

Each partner must pay in at least 20% of his/her committed capital before the limited partnership can be registered in the Norwegian Register of Business Enterprises. Further, the partners must each pay in an additional 20% of the committed capital within 2 years after the date of registration of the limited partnership. Thus, in total each partner must pay in at least 40% of his/her committed capital. The partners may be required to pay in the rest of their share of the committed capital if the paid in capital is lost.

There are no requirements in the Norwegian Partnership Act as to the committed capital of an internal partnership. However, it has been argued in legal theory that silent partners should have a minimum committed capital. It is uncertain what minimum level of committed capital that should be required by silent partners. The minimum requirement for limited partners in a limited partnership (NOK 20 000) may be applied, but this is uncertain.

4.4 Registration, Registration Fees and Stamp Duty

Partnerships are to be registered with the Norwegian Register of Business Enterprises. However, internal partnerships are not to be registered.

General partnerships and general partnerships with shared liability may register electronically over the Internet or on a special form (paper). However, limited partnerships may not register electronically. If done electronically, the registration should normally take 3-4 days after the Norwegian Register of Business Enterprises has received a signed original printout of the sent electronic registration form, together with the required enclosures. If the registration is not submitted electronically, it should normally take 2-3 weeks to process the registration. The registration fee for a limited partnership is currently NOK 6 000. For other partnerships the registration fee is currently NOK 2 500. No stamp duty applies to the registration of partnerships, committed capital or changes in the committed capital, etc.

For more detailed information you may visit the website of the Norwegian Register of Business Enterprises, <http://www.brreg.no/english/>.

5. Financial Reporting and Audit

5.1 Financial Reporting - Bookkeeping and Financial Statements

Branch

Branches are required to keep separate accounts for their business activities in Norway, prepare financial statements and reports, etc. under the same terms that apply to Norwegian limited liability companies (see below). Bookkeeping and preparation of the accounts may be done abroad. Restrictions apply to the storage of accounting records and accounting material abroad. If the foreign company has a financial year that deviates from the calendar year, the branch may apply the same financial year as the foreign company (head office).

The financial statement and the Directors' report shall be prepared within six months of expiry of the financial year. The branch shall file a copy of the annual accounts, directors' reports and auditor's reports for the enterprise of which the branch is a part, such as these annual statements have been prepared, audited and made public in accordance with the legislation of the native country, at the latest at the same time as these annual accounts shall be made public according to the legislation of the native country. The accounting documents shall be prepared in or translated into Norwegian, Danish, Swedish or English. The documents are not available for public inspection.

An exception from the obligation to file a copy of the annual accounts, Directors' reports and auditor's reports for the enterprise of which the branch is a part to the Register of Company Accounts, is made for branches that fulfil two of the following conditions for the two previous years:

- 1) Sales revenues less than or equal to NOK 60 million
- 2) Balance sheet less than or total to NOK 30 million
- 3) Average number of employees during the financial year does not exceed 50 man-labour years.

Limited Liability Companies

Limited liability companies are required to keep accounts (bookkeeping) in accordance with the Norwegian Accounting Act and the Norwegian Generally Accepted Accounting Principles (GAAP). Bookkeeping and preparation of financial statements may be done abroad.

Restrictions apply to the storage of accounting records and accounting material abroad.

The information must be registered electronically or on hard copy and should include all information necessary for the preparation of annual financial statements and other reports. Accounting records should be in the Norwegian, Danish, Swedish or English language, and should be in NOK. Other languages may be accepted upon application. The books may be kept in another currency than Norwegian kroner if it is the functional currency of the enterprise. Limited liability companies are required to prepare annual financial statements and reports for each financial year. The financial statements and reports must be in the Norwegian language. Consolidated accounts may be prepared in a foreign currency if a major portion of the group's activities and transactions are denominated in this currency. The financial year is usually the calendar year. A subsidiary of a foreign company may, however, apply the same financial year as its foreign parent company.

The financial statement and the Directors' report shall be prepared within six months of expiry of the financial year. No later than one month after the adoption of the annual accounts the company shall file a copy of the annual accounts, the Directors' report and the auditor's report with the Register of Company Accounts. The documents are available for public inspection.

Limited liability companies are as a general rule required to keep their accounting records for 10 years.

Partnerships

Partnerships are in principle subject to the same financial reporting requirements (bookkeeping and preparation of financial statements) as limited liability companies. The financial statement and the Directors' report shall be prepared within four months of expiry of the financial year. No later than one month after the adoption of the annual accounts the partnership shall file a copy of the annual accounts, the Directors' report and the auditor's report with the Register of Company Accounts. An exception from the obligation to file a copy of the annual accounts, the Directors' report and the auditor's report with the Register of Company Accounts is made for all internal partnerships. Other partnerships are exempted when two of the following conditions for the two previous years are fulfilled:

-
- 1) Sales revenues less than or equal to NOK 60 million
 - 2) Balance sheet less than or total to NOK 30 million
 - 3) Average number of employees during the financial year does not exceed 50 man-labour years.

If the partnership is a parent company the partnership shall be deemed small only if the conditions are met for the entire group as one entity.

An exception from the obligation to prepare financial statements, and Directors' report does, however, apply to partnerships that fulfill all of the following conditions:

- 1) Less than MNOK 5 in annual sales revenues
- 2) Less than five employees
- 3) A maximum of five partners
- 4) None of the partners is a legal entity with limited liability

5.2 Audit

Branch

Branches are required to have an annual statutory independent audit of their accounts if the prior year's turnover exceed NOK 5 000 000. A State Authorized Public Accountant or a Registered Auditor should perform the audit.

Limited Liability Companies

Limited liability companies are required to have an annual statutory independent audit of their accounts. A State Authorized Public Accountant or a Registered Auditor should perform the audit.

Partnerships

Partnerships are required to have an annual statutory independent audit of their accounts performed by a State Authorized Public Accountant or a Registered Auditor to the extent they are required to file annual financial statements and reports.

If the prior year's turnover is less than NOK 5 000 000 there are exceptions depending on whether there are less than six partners in the partnership, at least one partner has unlimited liability and that the partnership is not obligated to prepare a consolidated financial statement.

The following table gives a somewhat simplified overview of the Norwegian requirements regarding bookkeeping, financial statements and audit:

	Bookkeeping	Financial Statements	Audit
Branch	Yes	Due six months after end of the financial year.	Yes, if the prior year's turnover exceed NOK 5 000 000.
Limited Liability Companies	Yes	Due six months after the end of the financial year.	Yes - no exceptions.
Partnerships	Yes	Due four months after the end of the financial year. Exemptions are however made if the prior year's turnover is less than NOK 5 000 000, there are less than six partners, at least one partner has unlimited liability	Yes. Exemptions are however made if the prior year's turnover is less than NOK 5 000 000, there are less than six partners, at least one partner has unlimited liability and the partnership is not obligated to prepare consolidated financial statement.

C. Company taxation

1. General description

Norway is in the process of implementing a tax reform, which among others includes, an exemption from tax on dividend and gain on shares for corporate shareholders (the participation method). Parliament has also implemented measures to prevent undesirable arrangements to avoid taxation and transitional provisions in an intermediate phase, until the tax reform is finally implemented as of 1 January 2006. These intermediate measures and provisions are not covered in the description below.

Tax resident limited liability companies are subject to corporate income tax on worldwide income. Non-resident companies are subject to corporate income tax on income attributable to Norwegian business operations, i.e. a permanent establishment. The corporate tax rate is currently 28% for all distributed and undistributed taxable income.

Limited liability companies are considered to be tax resident in Norway if their effective management is located in Norway. Thus, companies registered in other jurisdictions, e.g. in a tax haven, and operating from Norway may be considered residents of Norway for tax purposes.

Partnerships are not separate taxable persons. The taxable income of partnerships is calculated at the partnership level, and the result is allocated to the partners and taxed in their hands.

Special tax regimes apply to activities related to the exploration for and exploitation of petroleum sources and to shipping companies that qualify for the Tonnage Tax Regime.

There is also a special tax regime for active owners ("delingsmodellen"), which applies to partnerships when partners that are participating actively in the business fulfill certain criteria. The criteria are that the partners directly or indirectly:

- (1) own at least 2/3 of the partnership or
- (2) are entitled to at least 2/3 of the profits of the partnership.

This special tax regime for active owner will be abolished as of 1. January 2006.

Under the special tax regime for active owners, calculated income from personal work will in addition to the ordinary income taxation be taxed at a progressive tax rate covering

social security tax and high bracket tax (top tax). Thus, the total tax rate on such income could currently reach 55.3%. Partners are entitled to have the tax refunded from the partnership, unless otherwise agreed in the partnership agreement.

Special legislation in the field of direct taxation applies to certain areas of Norway, e.g. Jan Mayen and Svalbard (Spitzbergen).

The description below does not cover the special tax regimes or the special legislation in the field of direct taxation.

2. EU/EEA legislation and how it relates to Norwegian tax law

Under the EEA agreement with the EU, Norway is to a large extent bound to follow the EU/EEA legislation. The EEA treaty does not include direct tax. However, judicial precedence (case law) both in the Norwegian Supreme Court and in the ECJ indicate that also domestic tax legislation must comply with the guiding principles of the EEA treaty ("the four freedoms").

It is difficult to predict with great certainty the final outcome of the ongoing process on clarification of the level of authority between Norwegian Tax Law and the EU/EEA legislation. However, based on the process so far there are some indications that the EU/EEA take precedence over Norwegian Tax Law.

3. Limited liability companies

3.1 General

A Norwegian limited liability company is, in principle, subject to taxation in Norway on all of its worldwide income, whether or not it originates in Norway or elsewhere. Business income and capital gains are pooled and taxed at the same rate. The corporate tax rate is currently 28%. However, qualifying capital gain on shares (and certain financial instruments) and dividends is tax exempt income for limited liability companies (see section 3.2 and 3.3).

For a Norwegian limited liability company, revenue recognition for tax purposes follows the Norwegian Generally Accepted Accounting Principles (GAAP), unless there are specific tax rules regarding revenue recognition in Norwegian Tax Law. Thus, taxable income is based on

the book income shown in the annual financial statements, as adjusted for tax purposes. Adjustments are made for among other things non-deductible expenses, depreciation and amortization, and expense and loss recognition for inventory and accounts receivable.

3.2 Dividend on shares

Dividends paid to Norwegian corporate shareholders on shares in companies resident in the European Economic Area (EEA) or the European Union (EU) are exempt from taxation irrespective of the ownership participation or holding period.

Where the dividend distributing company is resident outside the EEA/EU, dividends are tax-exempt only to the extent the corporate shareholders has owned at least 10 % of the shares in the company and had at least 10 % of the voting power for a consecutive period of minimum 2 years. However, the tax exemption does not apply to dividends paid from companies that are resident in a low tax jurisdiction (tax havens) outside the EU/EEA.

Dividends from corporations resident in low tax countries outside the EU/EEA area, or that do not meet the requirements above, are generally taxable with a credit relief for withholding tax paid abroad.

Special regulations apply to dividends from tax haven entities if the shareholder is subject to Norwegian CFC legislation.

3.3 Gain on shares

Norwegian corporate shareholders are exempt from taxation on capital gains upon realisation of shares in companies resident in the EU/EEA area irrespective of the ownership participation or holding period. A capital loss on such shares will not be tax deductible.

Capital gains on shares in a company resident outside the EU/EEA are tax exempt only to the extent the corporate shareholder has owned at least 10 % of the shares in the company and had at least 10 % of the voting power for a consecutive period of minimum 2 years before the realisation of the shares. The tax Exemption method does not apply to capital gains on shares in companies that are resident in a low tax jurisdiction (tax havens) outside the EU/EEA. Generally, a capital gain on such shares would be taxable in Norway at the ordinary rate of 28%.

Special regulations apply to shareholders subject to Norwegian CFC legislation.

3.4 Deductible expenses

All expenses incurred during the year (including interest expense) in order to earn, secure and maintain taxable income are in principle fully deductible. This means that certain expenses linked to obtaining tax exempt income are not deductible for tax purposes.

Donations are generally not deductible. However, minor donations to certain organizations and the church of Norway are deductible (currently limited to NOK 12,000 per contributor a year). Contributions to certain scientific research institutes working in collaboration with the government and to institutes providing professional education relevant to the business of the donor are also deductible. The deductible contribution is limited to 10% of the donor's taxable income (after reduction for any tax losses in the year and tax losses carried forward).

Dividends distributions are not deductible. Other non-deductible expenses are e.g. entertainment expenses, bribes and similar payments, taxes on income and penalty interest on tax.

Not all expenses may be directly expensed. Certain deductible expenses, such as the cost of fixed assets, must be capitalized and depreciated (see below).

3.5 Tax deduction for Research & Development expenses (SkatteFUNN)

SkatteFUNN entitles all enterprises subject to Norwegian taxation to a tax deduction of expenses related to an approved R&D project. The project application and the evaluation process is entirely web-based at www.skattefunn.no.

For enterprises with more than 250 employees, eighteen per cent of expenses may be deducted in income tax, wealth tax and national insurance tax to the state.

For smaller enterprises, twenty per cent deduction is possible if these conditions are fulfilled:

- 1) no more than 250 employees
- 2) an annual turnover not exceeding EURO 40 million or an annual balance sheet total not exceeding EURO 27 million
- 3) owned by a large enterprise with less than 25 per cent holdings.

In both cases the maximum sum is MNOK 4 each year if the project is conducted by the enterprise itself. Where an enterprise collaborates with an approved R&D institution, the maximum sum is MNOK 8 a year. An auditor must certify the expenses related to the project.

The eligible R&D projects are defined as: A limited, focused project aiming at bringing forward new knowledge, information or experience which suppose to be of use for the enterprise in developing new or improved products, services or manufacturing/processing.

3.6 Depreciation

Fixed business assets, e.g. property, plant, equipment and certain intangible assets, costing more than NOK 15 000 and with useful life of at least three years, may be depreciated for tax purposes. Land is not depreciable, but should be capitalized. Other purchases are tax-deductible expenses in the year of purchase (see section 3.2).

Depreciation on fixed assets must be calculated using the declining balance method at any rate up to a maximum. Depreciation rates depend on which category the asset falls under:

Group		Maximum Depreciation Rates (%)
A	Office equipment and similar items	30
B	Acquired goodwill	20
C	Trailers, trucks, buses, taxis and vehicles for the transportation of disabled persons	20
D	Cars, tractors, other movable machines, other machines, equipment, instruments, furniture, fixtures and similar items	20
E	Ships, vessels, drilling rigs and similar items	14
F	Aircraft and helicopters	12
G	Installations for transmission and distribution of electric power and electronic equipment in power stations	5
H	Industrial buildings, hotels, rooming houses, restaurants and similar buildings	4 (8*)
I	Office buildings	2

* The higher rate in (H) applies if the expected life is 20 years or less.

Norway applies the full-year convention. Thus, if an asset was purchased and delivered on 31 December, the buyer may claim full tax depreciation for the year in question.

Assets in groups A, B, C and D are depreciated as whole units, while assets in groups E, F, G, H and I are depreciated individually.

If fixed assets in groups A, B, C and D are sold the proceeds reduce the balance of the group of assets and consequently the basis for depreciation. If a negative balance incurs within groups A, C or D, part of the negative balance must be included in income. In general, the amount included in income is determined by multiplying the negative balance by the depreciation rate for the group. However, if the negative balance is less than NOK 15 000, the entire negative balance must be included in taxable income.

Gains realized from sale of assets in one of the other groups (B, E, F, G, H and I) may be taken to the gains and losses account, from which at least 20% of a positive balance must be included in taxable income on an annual basis.

Patents, trademarks and other intangible assets with a time-limited useful life may be amortized using the straight-line method (over the useful life).

3.7 Losses

Tax losses arising in a limited liability company may be carried forward and be set off against any profits of the company for 10 years.

Transfer of ownership to the shares in a limited liability company does in general not influence on tax losses carried forward. Tax losses carried forward may, however, be lost if the transfer of shares is mainly tax driven, i.e. the main purpose is for the purchaser to be able to benefit from the tax losses.

Losses can be carried back when a company is liquidated or ceases its business operations permanently. In such a case losses may be carried back against the profits of the preceding two years.

3.8 Treatment of Group of Companies

Companies are taxed as separate entities. Tax consolidation is generally not allowed. However, a company within a group may contribute funds to another company within the group to benefit from the advantage of group contributions, i.e. offsetting profits and

losses between group members. This contribution of funds is allowed between Norwegian limited liability companies. The funds need not be physically transferred. A Norwegian branch (permanent establishment) of a foreign company may also grant a group contribution to a Norwegian limited liability company with tax effect, if an applicable double tax treaty contains a non-discrimination provision similar to Art. 24 (3) of the OECD Model Convention.

In order to obtain deduction for group contributions an ultimate parent company must at the financial year-end, directly or indirectly, hold more than 90% of the shares and the voting power of the subsidiary.

Group contributions are taxable for the receiving company and tax deductible for the contributing company. Both the contributing and the receiving entities must report the contribution in their financial statements.

Provided that the ownership and voting power requirement are met, Norwegian subsidiaries of a foreign parent company or group may also make group contributions to other Norwegian subsidiaries in the group for tax purposes.

3.9 Intra-Group Participation Transfers

Norway has adopted rules governing the deferment of taxation in the event of intragroup participation transfers. By transferring assets in accordance with the conditions for an intragroup participation transfer the seller becomes entitled to defer payment of capital gains tax on the transferred assets. No taxation will be triggered until the transferred assets are sold externally, or until such time when the transferor and the transferee no longer qualify to make intragroup participation transfers.

Intra-group participation transfers of assets may be done between Norwegian companies that belong to a group that qualifies for making group contributions. Such transfers may also be made from a Norwegian branch (permanent establishment) of a foreign company to a Norwegian limited liability company, provided that the branch fulfils the requirements for making group contributions to the limited liability company. The requirements must be met no later than at the time of making the transfer (see section 3.7 for a description of the ownership and voting power requirements).

3.10 Thin capitalisation

Norway has no specific thin capitalization legislation for onshore business activities. However, the arm's length principle generally applies to transactions between related

parties. An interest cost that is considered excessive, i.e. not on arm's length terms and conditions, could be reclassified to dividends for tax purposes, hence no interest deduction and subject to dividend withholding tax (see section 7).

As a rule of thumb, a debt to equity ratio of 4:1 (20 % equity) is generally acceptable for tax purposes. However, if one can demonstrate that an independent third party, such as a bank, would provide loans that would result in higher ratios (at the same terms and conditions and without parental guarantees), potentially a comparably higher interest cost should not be disregarded for tax purposes.

3.11 Restructuring of business operations

3.11.1 Tax-free Share for Share Contribution (Exchange of Shares)

Under the exemption method a corporate shareholder may dispose of their shares in a company without triggering any Norwegian capital gains tax (see 3.3 for a description of which shares that qualify for the tax exemption). Thus, restructuring may fairly easily be accomplished by way of a tax-free share-for-share contribution, e.g. a corporate shareholder transfers the shares of its subsidiary to another company in exchange for shares in that company.

3.11.2 Tax-free Merger

A merger is accomplished when two or more companies form one new company. The former companies expire, and the shareholders of these companies become shareholders in the new company. A merger may also be accomplished when an existing company absorbs the assets and liabilities of one or several companies.

Mergers may under certain conditions be done tax-free in Norway. The conditions for a tax-free merger are detailed, and involve i.a. complex Accounting Law and Company Law issues. Somewhat simplified, a merger between Norwegian entities may be done tax-free if it is done in accordance with the provisions set in Accounting Law and Company Law, and if the shareholders of the transferring company/ companies receive shares in the surviving company (merged company) as consideration (consideration shares). The cost price of the consideration shares will be the same as the cost price of the shares in the transferring company. Thus, the individual tax position of the shareholders in the transferring company will be transferred to consideration shares. It should be noted that it is not always required that the shareholders in the transferring company or companies receive consideration shares.

The tax-free merger should not trigger any Norwegian tax for any of the Norwegian companies involved or for their Norwegian tax resident shareholders. The tax situation for

any foreign shareholders would depend on the tax treatment in their country of residence.

At present, it is only possible to carry out mergers between Norwegian companies of similar legal status, e.g. two limited liability companies.

3.11.3 Tax-Free Demerger

A demerger is accomplished when one company is split into two or more companies, and its assets and business operations are divided among the companies. The demerging company may continue to exist or it may expire. In the latter case all the assets and the entire business operations must be transferred to the other companies that are part of the demerger. The shareholders of the demerging company become shareholders in some or all of the companies that are part of the demerger.

Demergers may, under certain conditions be done tax-free in Norway. The conditions for a tax-free merger are detailed, and involve i.a. complex Accounting Law and Company Law issues. Somewhat simplified, a demerger may be done tax free if it is done in accordance with the provisions set in Norwegian Accounting Law and Norwegian Company Law. The shareholders in the demerged company should always receive shares (consideration shares) in one or more of the companies participating in the demerger as consideration for the assets that have been transferred from the demerged company.

The cost price of the consideration shares will be a function of the cost price of the shares in the demerged company prior to the demerger, divided in accordance with the division of the values in the merged company. Thus, the total individual tax position (cost price) of the shareholders in the demerged company will remain the same, but it will be split on shares in several companies, depending on how the value in the demerged company has been transferred.

The tax-free demerger should not trigger any Norwegian tax for any of the Norwegian companies involved or for their Norwegian tax resident shareholders. The tax situation for any foreign shareholders would depend on the tax treatment in their country of residence.

3.11.4 Anti-avoidance measures

A new anti-avoidance regulation has been adopted effective from oktober 2004. Under this regulation, general tax positions may lapse, e.g. tax loss carry forward, if change of ownership has been carried through by way of merger, demerger or other transactions. However, such tax position shall only lapse if the utilization of the position appear to be the predominant motiv for the transaction.

3.11.5 Tax Exemptions granted by the Ministry of Finance

Transactions that would otherwise result in realization of a taxable gain may be exempt from immediate taxation by obtaining a ruling from the Ministry of Finance. The exemption is not final, but rather a deferment of the taxation. Thus, there will be a transfer of the tax position on the realized asset to the consideration received in the transaction, e.g. consideration shares. There would usually also be several detailed conditions attached to such a ruling on deferment of taxation. The deferred tax would normally become payable upon realization of the consideration shares or on a breach of the ruling conditions.

A ruling would not be granted unless it can be substantiated that the transaction in question is part of a reorganisation or transformation of a business operation in order to make it more efficient and effective.

The following are examples of transactions that could be eligible:

- Share for share contributions (exchange of shares) if the transaction is not eligible for tax exemption under the participation exemption system (see 3.10.1)
- Transfer of business operations in exchange for shares in the acquiring company/group
- Conversion of a branch into a limited liability company
- Mergers and demergers of foreign companies for Norwegian shareholders

4. Branch (Permanent Establishment)

Non-resident companies are subject to Norwegian tax on income attributable to business operations conducted at a permanent place of business (permanent establishment) in Norway. The permanent place of business can, for instance, be a branch, an office, a factory, etc. In addition, a building, construction, installation or assembly project going on in Norway may be considered a permanent place of business. An individual or a dependent representative can also be considered to constitute a permanent place of business if the person in question has, and regularly makes use of, a power of attorney to enter into agreements in the name of the non-resident company.

A branch that constitutes a permanent establishment in Norway is taxed in accordance with the normal rules on income from a business operation, i.e. in principle in the same way as if the business had been conducted by a Norwegian limited liability company.

The income attributed to the branch, and which is to be taxed in Norway, should be calculated as if the branch were an independent legal entity conducting the same type of business activities in Norway. Under Norwegian law, expenses relating to the branch, including expenses relating to the non-resident company's management and general administration, are deductible, even if the latter have been incurred outside Norway. Special consideration should be taken with regards to attribution of financing costs to the branch.

If the Norwegian branch of a non-resident company does not qualify as a permanent establishment, the company will not be liable to tax in Norway. This could be relevant when a non-resident company, for instance, conducts business through the agency of a broker, a commission agent or another independent agent. Such assistance should generally not constitute a permanent establishment in Norway for the non-resident company if the representative acts within the scope of his/her ordinary business activities. It should be noted that a high level of independence is required for such an agent not to be considered to constitute a permanent establishment.

5. Partnerships

Although partnerships are separate legal entities, they are not separate taxable persons. The taxable income of a partnership is calculated at the partnership level, and the result is allocated to the partners and taxed in their hands. The applicable tax rate is currently 28% unless the partner in question is subject to the special tax regime for active owners, in which case the marginal tax rate is 55.3%.

The partners will be taxed in the year that the income is earned, regardless of whether the profits of the partnership are retained in the partnership or being distributed to the partners. The time of distribution of the profit to the partners is irrelevant.

Non-resident partners are deemed to have a permanent establishment in Norway due to the participation as partners in a Norwegian partnership. Such partners will thus be taxable to Norway for their share of the profits of the partnership.

The special tax regime for active owners will be abolished as of 1 January 2006 to be replaced by a Participation Model for taxation of partners in Norwegian partnerships effective the same date. Under the Participation Model the profits of the partnership will be allocated to the

partners and taxed in their hands. In the same way as under the current regime, the partners will be subject to ordinary taxation on their share of the profits in the year that the income is earned, regardless of whether the profits of the partnership are retained in the partnership or being distributed to the partners (currently 28 % tax). Upon distribution of profits to partners that are individuals, the partners will be subject to an additional taxation. The distributed amount is subject to 28% ordinary income tax. Thus, provided that the entire annual profits of the partnership are distributed to the partners, the marginal tax rate under the Participation Model is 48.16 % for a partner that is an individual. Incorporated partners will not be subject to additional taxation at distribution under the Exemption method.

6. Transfer pricing

The arm's length principle generally applies to transactions between related parties. In addition Norway generally applies the OECD Transfer Pricing Guidelines. Intra-group transactions should be on commercial terms and conditions, i.e. on the same terms and conditions that would have been agreed between independent parties. A reverse burden of proof could apply to intra-group transactions where one of the group companies is a non-resident company, i.e. the burden of proof is on the Norwegian group company taking part in the transaction.

Norway has no specific transfer pricing documentation requirements. However, major intragroup agreements should be in writing. Further, all agreements entered into between a 100% owned Norwegian subsidiary and its parent company should be in writing.

7. Withholding tax

Norway does not levy withholding tax on payments of royalty and interest in Norway. Excessive royalty and interest payments may, however, be reclassified to dividends.

Dividends paid to corporate shareholders that are resident in the EU/EEA are not subject to dividend withholding tax. The same applies to dividends distributed in 2005 to individual shareholders that are resident in the EU/EEA. For the years 2006 and forward Norway will most likely reintroduce withholding tax on dividends distributed to individual shareholders that are resident abroad in the EU/EEA.

Dividends distributed to shareholders resident outside the EU/EEA are subject to 25% withholding tax, unless a lower rate applies under a double tax treaty.

Liquidation dividends are not treated as dividends for withholding tax purposes.

8. Tax Returns and Payment of Taxes

8.1 Tax Returns

Limited liability companies, branches and partnerships must file tax returns on paper by 31 March of the year following the income year. Individual partners in a partnership have to file their tax returns according within the same deadline. Upon application, extension may be granted.

Tax returns may alternatively be filed electronically over the Internet on a special form. The deadline for electronic filing is 31 May of the year following the income year for both legal entities and individual partners in a partnership. As a general rule, the income year follows the financial year (usually the calendar year).

The tax assessments are usually issued in October the year following the income year.

If a tax return is not filed on time, a penalty fee may be imposed. If no tax return is filed or if statutory attachments are omitted, the tax authorities impose a penalty tax of 30% of the tax determined by estimated assessment.

8.2 Payment of Taxes

Limited liability companies and branches become liable to pay tax as soon as they have been established. Corporate taxes are payable in three installments; the advance payments are due on 15 February and 15 April in the year following the income year. The rest of the tax liabilities are due three weeks after the assessment.

Partners in a partnership will receive an estimate of taxes to be paid during the income year from the tax authorities. These estimated taxes are generally due in four equal installments on March 15, May 15, September 15 and November 15 in the income year.

D. VAT

1. Introduction

Value added tax (VAT) is an indirect tax on the consumption of goods and services. The Norwegian name for VAT is "merverdiavgift" ("MVA").

The Norwegian VAT system is not based on the European Union's VAT Directives. Norway is a member of EFTA, The European Free Trade Agreement. The EFTA countries negotiated the European Economic Area (EEA) agreement with the EU and its members. The EEA agreement came into effect on 1 January 1994, excluding Switzerland. The EEA agreement does not (directly) include indirect taxes, such as the VAT. The Norwegian VAT system is independent to the VAT Directives within the EU. However, the Norwegian VAT system is designed on the same basic principles as other country's VAT systems.

As opposed to the EU, Norway is not a part of the intra community trade system that exists between the EU member states. Consequently, Norway has not adopted VAT rules corresponding to the part of the VAT system in EU that applies for the trade between businesses in the different EU member states.

The trade that could be affected by the Norwegian VAT legislation is sale of goods and services within Norway, import of goods and services to Norway from foreign countries, and export of goods and services from Norway to foreign countries.

Both Norwegian businesses, businesses established in other countries, and a Norwegian branch of a foreign company carrying on activities in Norway, could be obliged to register for VAT and pay VAT on their turnover in Norway. Basically, all sales (and import) of goods and services are subject to Norwegian VAT. A few areas are, however, exempt.

2. At a Glance

VAT Rates

Standard	25% (year 2005, see enclosure in case of changes)
Reduced	See enclosure
Other	Zero-rated (or Exempt with credit) and Exempt

VAT Number Format 973 004 123 MVA

VAT Return Periods	Bimonthly (with the possibility for shorter periods). Annual (for farmers and fishermen and optional if taxable turnover does not exceed NOK 1 million)
Thresholds	
Registration	NOK 50,000 (year 2005, see enclosure in case of changes). NOK 140,000 (for some charitable and non-profit organizations)
Recovery of VAT by Non-Established Businesses	Yes

3. Scope of the Tax

VAT applies to the following transactions

- The supply of goods or services made in Norway by a taxable person
- Withdrawals of goods or services from taxable business for private use or for purposes that fall outside the scope of the VAT Act
- Reverse charge services received by a Norwegian taxable person or public body
- The importation of goods, irrespective of the status of the importer

4. Who Is Liable

A "taxable person" is any business entity or individual that makes taxable supplies of goods or services in Norway, in the course of a business.

The VAT registration threshold is NOK 50,000 in a 12-month period (the year 2005). However, for charitable bodies and some nonprofit organizations the threshold is NOK 140,000 (the year 2005). Special rules also apply to certain partnerships, trading companies and corporations.

Where to Register

If the business will be carried out from Oslo, the local county tax office should be contacted:

Name: Oslo fylkesskattekontor
Address: Fred Olsensgt. 11, 0152 Oslo
Telephone: +47 24 14 84 00
E-mail: oslo.fsk@skatteetaten.no

Voluntary Registration

Norwegian VAT legislation provides an option for voluntary registration for VAT purposes for certain activities, including the lease of office property.

Group Registration

The Norwegian VAT law provides that "collaborating companies" may form a VAT group. Grouping applies if one or more of the collaborating companies owns at least 85% of the capital in each company and if the companies are jointly registered for VAT.

Non-Established Businesses

A "non-established business" is a business that has no fixed establishment in the territory of the country. A non-established business must register for VAT if it makes taxable supplies of goods or services in Norway in excess of the registration threshold.

Tax Representatives

If a non-established business is obliged to register for VAT in Norway, it must appoint a resident tax representative, unless it maintains a place of business or a registered office in Norway.

Late Registration Penalties

No specific penalty applies to late VAT registration in Norway. However, penalties are assessed if, as a result of the late registration, a taxable person submits a late VAT return or pays VAT late.

5. VAT Rates

The term "taxable supplies" refers to all supplies of goods and services that fall within the scope of the Norwegian VAT Act, including zero-rated supplies. In Norway the term "exempt with credit" is also used for zero-rated supplies. This means that no VAT is chargeable, but the supplier may recover related input tax. The terms "exempt" and "outside the scope" are used for supplies of goods and services that are not liable to tax, and which do not give rise to a right of input tax deduction.

In Norway, four rates of VAT apply (year 2005)-the current standard rate, reduced rates (see enclosure) and the zero rate (0%). The standard rate of VAT applies to all supplies of goods or

services, unless a specific provision allows a reduced rate, the zero rate or an exemption. The following table lists examples of exempt supplies of goods and services, and supplies of goods and services that are taxed at a reduced rate of VAT. This list is not exhaustive.

Examples of Exempt Supplies of Goods and Services (also called Outside the Scope of VAT)	Examples of Goods and Services Taxable at 0%	Examples of Goods and Services Taxable at Reduced Rate
Financial services	Exports of goods	Food (excluding alcohol and tobacco and supplies in restaurants)
Insurance	Supplies to foreign ships, and aircraft and ships involved in foreign trade	Passenger transportation
Accommodation	Books and newspapers	
Education	Transfer of a business as a going concern	
Lease of residential property		
Medical services		
Real estate transactions		
Cultural and sporting events		

6. Time of Supply

The time when VAT becomes due is called the "time of supply" or "tax point." The basic time of supply for goods is when they are delivered; the basic time of supply for services is when they are performed.

Reverse Charge Services

Norwegian businesses and public institutions must self-assess for VAT on taxable services purchased from abroad, using the "reverse charge" mechanism. Under the reverse charge, the purchaser self assesses for VAT at the appropriate rate. The self-assessed tax is treated as input tax and recovered (depending on the purchaser's partial exemption status). The reverse charge does not apply for private individuals.

Only services that can be "delivered from a remote location" are covered by the reverse charge procedure. The definition of this term is important in deciding whether it is the purchaser that is obliged to charge and pay VAT, or whether it is the supplier that has to register for VAT and charge VAT.

The phrase "delivered from a remote location" is understood to mean that, by virtue of the nature of the service, its execution or delivery may be linked to a particular physical place only with difficulty.

7. Recovery of VAT by Taxable Persons

A taxable person may recover input tax, which is VAT charged on goods and services supplied to it for business purposes. Input tax is generally recovered by being deducted from output tax, which is VAT charged on supplies made.

Input tax includes VAT charged on goods and services supplied within Norway, VAT paid on imports of goods and VAT self-assessed for reverse charge services received outside Norway.

The amount of the VAT reclaimed must be detailed on a valid VAT invoice. Input VAT that is not properly documented, may not be deducted.

Non-Deductible Input Tax

Input tax may not be recovered on purchases of goods and services that are not for use in the business that is subject to VAT (for example, goods acquired for private use).

In addition, input tax may not be recovered for some items of business expenditure. The following table sets out examples of items of expenditure for which input tax is not deductible and examples of items for which input tax is deductible, if the expenditure is related to a taxable business use. This list is not exhaustive.

Examples of Items for which Input Tax Is Non-Deductible	Examples of Items for which Input Tax Is Deductible (if related to a taxable business use)
Tobacco and alcohol	Advertising
Personal expenses	
Business entertainment	Purchase, lease and hire of vans and trucks
Restaurant meals	Fuel for vans and trucks
Business gifts costing more than NOK 50 (year 2005)	Conferences
	Business use of home telephone and mobile phones

Partial Exemption

Input tax directly related to making exempt supplies is not generally recoverable. If a Norwegian taxable person makes both exempt supplies and taxable supplies, it may not deduct input tax in full. This situation is referred to as partial exemption. Exempt with credit supplies are treated as "taxable supplies" for these purposes.

Refunds

If the amount of input tax recoverable in a monthly period exceeds the amount of output tax payable in that period, the taxable person has an input tax credit. A refund claim is triggered automatically if the VAT return shows a VAT credit.

8. Recovery of VAT by Non-Established Businesses

The Norwegian VAT authorities refund VAT incurred by businesses that are neither established in Norway nor registered for VAT there. A non-established business is allowed to claim Norwegian VAT to the same extent that a Norwegian taxable person may deduct input VAT.

Norway does not apply the reciprocity principle to refunds. Therefore, it does not exclude claimants based on the country in which they are established.

Refund Application

The claimant must submit the following documentation to obtain a VAT refund:

- Application Form RF 1032
- The original VAT invoices
- A power of attorney if the claimant uses the services of a third party to recover the VAT
- A certificate of taxable status obtained from the competent tax authorities in the country in which the claimant is established. The certificate, which is valid for 12 months from the date of issue, must be completed signed and stamped by the local tax authorities
- If the claim relates to goods that are located in Norway at the time of submission of the claim form, an explanation for reason that the refund is requested

The deadline for submitting applications is 30 June following the claim year. This deadline is strictly enforced. The forms must be completed in Norwegian, Swedish, Danish or English. The claim period is a minimum of a calendar quarter and a maximum of one calendar year. The minimum claim amounts are NOK 2,000 for a quarter and NOK 200 for an annual claim (year 2005).

Applications for refunds of Norwegian VAT may be sent to the following address:

Østfold fylkesskattekontor
Postboks 430
1502 MOSS
Norway

For further information:

Telephone: +47 69 24 70 00

E-mail: ostfold.fsk@skatteetaten.no

9. Invoicing

VAT Invoices and Credit Notes

A Norwegian taxable person must generally provide a VAT invoice for all taxable supplies made and for exports. Invoices must support claims for input tax made by Norwegian taxable persons and VAT refunds claimed by non-established businesses.

A VAT credit note may be used to reduce the VAT charged and reclaimed on a supply. The document must be clearly marked "credit note" and it must refer to the original invoice.

Proof of Exports

Goods and services exported to countries outside Norway, and supplied to the Norwegian areas of Svalbard and Jan Mayen, are exempt from VAT with input tax credit. To qualify as VAT-free, the supplier must prove that the goods have been exported. Suitable proof includes

- The Customs Single Administrative Document
- Shipping documents or the import declaration from the country of import

Foreign Currency Invoices

If an invoice is issued in a foreign currency, the VAT must be stated in Norwegian kroner (NOK) using the official exchange rate for the date of the invoice. No other exchange rate may be used for VAT purposes. Other amounts shown on the invoice may be stated in other currencies.

10. VAT Returns and Payment

VAT Returns

In general, Norwegian taxable persons file bimonthly VAT returns. However, farmers and fishermen must file annually. Businesses with taxable turnover of less than NOK 1 million may opt to file annual returns (year 2004).

To ease cash flow, businesses that receive regular VAT refunds may request shorter VAT return periods. Taxable persons must contact the appropriate VAT office to register for annual returns or for permission to use shorter VAT return periods.

The VAT due for each period must be reported, and paid in full, within one month and ten days after the end of the VAT period. Return liabilities must be paid in Norwegian kroner.

Penalties

A penalty interest is assessed for late payment of VAT. An additional penalty of up to 100% of the tax due for a period may be imposed on taxable persons that willfully or negligently contravene the provisions of the VAT Act. Penalties may also be assessed for failing to submit VAT returns.

E. Employee taxation

1. Taxation in Norway

1.1 Tax liability

Persons present for a period or periods exceeding in the aggregate 183 days in any twelve-month period are considered to be resident for tax purposes. Individuals resident in Norway are subject to tax on their worldwide income.

When emigrating from Norway an individual will still be considered as resident for tax purposes as long as he, or someone closely related to him, maintains a home in Norway. An individual who does not maintain a home in Norway will be considered as resident if the stay in Norway exceeds 61 days per income year (after emigration).

Individuals that have been residents in Norway for more than 10 years will irrespective of the two conditions mentioned above be considered as residents for tax purposes for a 3-year period after emigration. Residency will not cease if they maintain a home in Norway or stay here for more than 61 days during the 3-year period.

Non-residents are taxable on Norwegian-source income only. Wages and remuneration may be considered Norwegian-source even if an employer has no permanent establishment in Norway. The so-called 183-day rule does not apply for foreigners with a Norwegian (economic) employer or a foreign employer with a permanent establishment in Norway as they will be liable for taxation on Norwegian-source income from day one.

Tax treaties may limit the Norwegian tax liability, and special rules may apply to individuals working on the Norwegian Continental Shelf.

1.2 Tax rates

Tax is imposed on ordinary income, which is an individual's taxable income from all sources, and on personal income, which consists of employments income and pensions. Employment income includes imputed personal income and self-employed personal income.

Ordinary Income Tax

Ordinary income is taxed at a combined rate of 28%.

Personal Income Tax

Personal income tax is also referred to as "top tax". No deductions are allowed against personal income. Personal income is subject to tax at graduated rates with a currently maximum rate of 15.5%. If an individual is taxable in Norway for part of a fiscal year only, the income brackets are reduced proportionately.

Please observe that this is a tax that is imposed in addition to taxation of ordinary income, see below. I.e. maximum marginal tax rate is currently 43.5%. In addition, employee social security contribution is calculated at a current rate of 7.8%.

The currently top tax rates are set forth in the following tables.

Individuals Without Dependents		
Taxable Income		
Exceeding	Not Exceeding	Rate
NOK	NOK	%
0	381,000	0
381,000	800,000	12
800,000	-	15.5
Individuals With Dependents		
Taxable Income		
Exceeding	Not Exceeding	Rate
NOK	NOK	%
0	393,700	0
393,700	800,000	12
800,000	-	15.5

1.3 Expatriate Tax Legislation

There is no special income tax system for foreign individuals. However, a 15% standard deduction is allowed in lieu of deductions for actual expenses incurred for individuals planning to stay in Norway for 4 years or less. This may only be used for the first 4 tax

returns. However, if the actual expenses are higher than the 15% standard deduction, it will be more beneficial to claim deduction for actual expenses.

As from the income year 2003 the previous rules regarding taxation on tax-free allowances paid for by the employer to commuters who travel between (family) home abroad and Norway, have been changed. Commuters can no longer claim for travel expenses, free accommodation and food expenses paid for by the employer together with the 15% standard deduction. In the future commuters must choose between the "net deal" or the "gross deal". It must be emphasized that the employee has to be approved as a commuter and qualify to the 15% standard deduction in order to choose between the "gross deal" or the "net deal" as described beneath.

"Gross deal" – all allowances/expenses paid for by the employer are taxable with the income and the 15% standard deduction is granted independent of marital status and living conditions in Norway.

"Net deal" – the employee is taxed on income + taxable part of fringe benefits and payments in kind. Note that he/she then cannot claim the 15% standard deduction.

If expatriates are tax-protected (tax-equalized), their income is grossed up to include the amount of tax reimbursement from their employer.

1.4 Deductible expenses

Individuals are permitted to deduct certain expenses in calculating the tax on ordinary income. Individuals may deduct the costs of travelling between home and work that exceed a fixed amount (NOK 12,800 in 2005), certain types of alimony payments and interests paid on all debts.

1.5 Personal deductions

For local income tax purposes, the personal deduction is currently NOK 34,200. For individuals with dependants, the exemption is currently NOK 68,400.

In calculating ordinary income tax, individuals are allowed a standard minimum allowance of 31% of gross compensation, up to a maximum of currently NOK 57,400 and down to a minimum of currently NOK 4,000.

If an individual is taxable in Norway for part of a fiscal year only, these deductions are reduced proportionately.

1.6 Ordinary income

Dividends from foreign companies, interest revenues, rental income, royalties and capital gain on the disposal of shares and other securities are subject to tax with other ordinary income at a rate of 28%. Because residents receiving dividends from Norwegian companies may claim a full credit for the tax paid by the company, they do not, in effect, pay tax on dividends from Norwegian companies (imputation method).

Please observe that the system for taxing dividends will change. From 2006 individuals will be taxable on all dividend income at 28% and there will be no credits (there are transitional provisions for 2004 and 2005). An exemption will be introduced on an annual basis per share, and dividend income below this amount will not be taxed. Any unused annual exemption may be rolled forward and set off against future dividends on the same share or against future capital gains when the shares are sold. For example, if the exemption is NOK 15 and the dividend income in a year is NOK 10, there will be an unused exemption of NOK 5 to carry forward.

The gain derived from the sale of a personal residence is not subject to tax if the owner has used the residence for at least 12 months during the 24 months before the sale. Otherwise, the gain derived from the sale of a private residence is subject to ordinary income tax, and losses are deductible from ordinary income.

1.7 Other Taxes

Wealth Tax. A municipal wealth tax is currently levied at a rate of 0.7% on taxable net assets exceeding NOK 151,000. In addition, a national wealth tax is currently levied on taxable net assets at a currently rate of maximum 0.4%. This gives a maximum wealth tax of currently 1.1%

Taxable Net Assets				
Without Dependents		With Dependents		
Exceeding	Not Exceeding	Exceeding	Not Exceeding	Rate
NOK	NOK	NOK	NOK	%
0	120,000	0	150,000	0
120,000	540,000	150,000	580,000	0.2
540,000	-		580,000 -	0.4

Inheritance and Gift Taxes

Inheritance and gift taxes are paid on all inheritances and gifts received from resident decedents and donors. Real estate and related assets in Norway are subject to this tax, regardless of the donor's residence or citizenship. Gifts and inheritances received from a spouse are not subject to the inheritance or gift tax. Neither inheritances nor gifts, with a few exceptions, are subject to income tax.

Inheritance and gift tax is calculated separately on a progressive scale for inheritances and gifts received from each donor. Currently, the first NOK 250,000 received from each donor is tax-free. Gifts received over several years and any inheritance received is aggregated to determine the tax-free portion and the progressive rates.

The following table lists the rates of inheritance and gift tax for 2005.

Amount of Inheritance or Gift		From	From
Exceeding	Not Exceeding	Parents	Others
NOK	NOK	%	%
0	250,000	0	0
250,000	550,000	8	10
550,000	-	20	30

To prevent double taxation, Norway has concluded inheritance tax treaties with Denmark, Finland, Iceland, Sweden, Switzerland and the United States.

2. Reporting and payment of taxes – withholding tax

In Norway, the employer has a statutory duty whenever he pays out wages, salaries etc. to deduct the correct amount of income tax and remit this to the tax collector office. This also applies to foreign employers with employees working in Norway, and regardless of whether the employee is tax liable to Norway or not.

The withholding rate is stipulated at the employee's tax withholding card ("skattekort"). All Norwegian employees have to apply for a tax-withholding card. The card is issued upon application by the employee. Application is made to the local tax office. If the employee has not presented such a card, the withholding tax rate (including employee social security contribution) is 50%. Taxes withheld are to be kept in separate funds or in a separate bank account.

Withholding taxes and employer social security contribution are reported bimonthly, by submitting a Recording Sheet ("terminoppgave") to the tax collector in the municipality where he is registered with head office (head office municipality). Foreign employers (i.e. employers not resident in Norway) will be registered with head office in municipality no. 2312 - Central Office – Foreign Tax Affairs. The first report (covering January and February) is due March 8th; the final report is due January 8th of the following year. I.e. if the options are exercised in May, the first reporting date is July 8.

Withholding taxes and employer social security contribution are remitted bimonthly to the local tax collector. The first instalment (covering January and February) is due March 15th; the final instalment is due January 15th of the following year.

In the case of overpayment, any excess tax will be reimbursed to the employee in June, July or October of the year following the income year, subsequent to the final tax assessment

At the end of the year (i.e. in January the subsequent year) the employer will have to submit an End of Year Salary Certificate ("lønns- og trekkoppgave") for each individual employee and an accompanying form/ annual report regarding employer social security contribution.

3. Filing of income tax return

For most individuals resident in Norway annual tax returns must be submitted by 30 April in the year following the income year. An extension of one month may normally be granted.

Self-employed individuals and certain categories of foreign employees must file their returns by 31 March in the year following the income year, with a possible extension of one month.

Married persons are taxed separately or jointly, whichever method yields the more favourable result for the taxpayer

The tax return is filed to the local tax office.

4. Final assessment

The assessment is based upon information given by the taxpayer in the annual tax return (with supporting enclosures) and other available information, e.g. reports from employers, etc. If the assessment authorities find the information given by the taxpayer incomplete or incorrect, they may alter, add or delete amounts. They may always alter estimates given by the taxpayer.

In certain cases the assessment authorities at their own discretion will estimate the taxable income and capital. This applies when the information given by the taxpayer is not considered to constitute a proper basis for the assessment and when the taxpayer has not filed a tax return or given other requested information.

The assessment is normally finalized in the autumn of the year after the income year. A Notice of Assessment is submitted to the taxpayer

If the taxpayer disagrees with the assessment, he may appeal to an Assessment Board within 3 weeks from the date on which the assessment has been made public.

If the taxpayer does not file the annual tax return or does not provide for information requested by the assessment authorities, he loses his right to appeal.

F. Social security contribution

1. The Norwegian Social Security Scheme

1.1 Membership

The main general social insurance schemes in Norway are the National Insurance Scheme (folketrygden), the Family Allowance Scheme (barnetrygd) and the Scheme for Cash Benefit for Families with Small Children (kontantstøtte).

Compulsory insured under the National Insurance Scheme are all persons who are either resident or working as employees in Norway. If you are a compulsory member, you are automatically a member without having to apply, and as a general rule, you are covered by all aspects of the National Insurance and the supporting schemes.

The compulsory insurance coverage is maintained during a temporary stay abroad. A stay abroad of less than one year is regarded as temporary. If the person concerned takes paid work abroad, however, the insurance coverage terminates.

If you are not a compulsory member, you can apply to be accepted as a voluntary member. Voluntary membership can apply to all aspects of National Insurance or may be limited to just parts of the National Insurance Scheme.

Further information about membership of the National Insurance Scheme can be obtained from your local insurance office, or Folketrygdkontoret for utenlandssaker (National Office for Social Insurance Abroad). See web address: www.trygdeetaten.no.

1.2 Benefits

Persons insured under the National Insurance Scheme are entitled to old-age, survivors' and disability pensions, basic benefit and attendance benefit in case of disablement, rehabilitation benefit, occupational injury benefits, benefits to single parents, cash benefits of sickness, maternity, adoption and unemployment, medical benefits in case of sickness and maternity and funeral grant.

Many benefits from the National Insurance Scheme are determined in relation to a basic amount (B.a). This amount is adjusted by the Parliament once or more times each year, in accordance with changes in the general income level. The main adjustment takes place

1 May each year. In 2005 the average B.a is NOK 60,059, and the B.a. per 1 May 2005 is NOK 60,669.

2. The EEA Treaty and national insurance agreements with other countries.

To provide relief from double social security taxes and to assure benefit coverage, Norway has concluded social security agreements with the following countries:

Austria (a)	Germany (a)	Malta (a)
Belgium (a)	Greece (a)	Portugal (a)
Canada (b)	Hungary (a)	Poland (a)
Chile	Iceland (a)	Slovakia (a)
Croatia	Ireland (a)	Slovenia (a)
Cyprus (a)	Italy (a)	Spain (a)
Czech Republic (a)	Latvia (a)	Sweden (a)
Denmark (a)	Liechtenstein (a)	Switzerland (a)
Estonia (a)	Lithuania (a)	Turkey
Finland (a)	Luxembourg (a)	United Kingdom (a)
France (a)	Netherlands (a)	United States

(a) European Economic Area (EEA) countries' agreement.

(b) Separate agreement with Quebec.

The European Economic Agreement (the EEA Agreement) came into force on 1 January 1994. By virtue of the agreement, the EU's regulations regarding e.g. the right to welfare benefits and the liability to pay welfare charges when working in another EEA country became applicable throughout the EEA. The rules are reflected in EU Regulation No. 1408/71.

Under the EEA rules, the starting point is that employed persons must be members of the national insurance system of the country where they are performing work, even if they do not reside there.

A person can also be exempted from membership of the National Insurance Scheme or another country's national insurance scheme for reasons of EEA Treaty provisions and the

bi-lateral national insurance agreements. For example, all agreements contain provisions about employees posted abroad who generally continue to be covered by national insurance schemes in the country from which they were posted, when the posting does not exceed a defined period (usually a maximum of 5 years). They are then exempted from membership of the national insurance scheme in the country where they work.

3. Contributions

Both employers and employees must make social security contributions. Contributions are payable on all taxable salaries, wages and allowances.

The contribution rate of the employee is 7.8% (2005) of his personal income (gross wage income). The contribution is withheld by the employer together with income tax, and the total amount is paid to the tax authorities. Employees' contributions are not deductible.

The employers' contribution is assessed as a percentage of paid out wages. In 2005, the employer's contribution is 14.1% on salary of up to NOK 976,944 and 26.6% on salary above this amount. In certain municipalities, the rate for employers is lower. For employees who have attained the age of 62, reduced employer's contribution rates apply.

Expatriates and foreign employers of employees working in Norway are subject to these contributions if an exemption (or reduction) is not available under a social security convention between Norway and the country where the expatriate or the employer is domiciled.

G. The labour market

1. The Norwegian labour market

NHO is the main organization for Norwegian employers. Membership consists of more than 16 000 enterprises ranging from small family-owned businesses to large industrial enterprises.

Employees may join several organizations. The Norwegian Confederation of Trade Unions (LO) is the largest workers' organization in Norway.

Even though employers and employees have powerful organizations, not all workers are unionised and not all employers have joined an organization.

The employer and employee organizations enter into collective agreements, which are binding for the organizations. They also provide guidance for employers and employees outside these organizations.

2. Work and Residence Permits in Norway

Foreign nationals who intend to stay in Norway longer than three months, or who want to work in Norway, must apply for residence permits or work permits prior to entering Norway.

Residence and work permits are granted only if a particular reason for living or working in Norway can be given – for example, for a family reunification, a cultural exchange or a specific need in the Norwegian employment market that cannot be met by the domestic workforce. Anyone who applies for a work permit must receive a firm offer of employment in advance. The applicant must also have adequate income, must be able to support himself or herself while in Norway, and must have a place to live at a fixed address in Norway for the period covered by the application.

EEA nationals have the right to seek work in Norway, which is part of a joint European employment market. EEA nationals who take up residence or work in Norway for periods exceeding three months must have residence permits, which also grant them the right to work.

Application Process. The work permit application must as a main rule be submitted from abroad before entering Norway. A first-time work permit or residence permit must be granted before an applicant may enter Norway. Nationals from EEA-member countries are exempt from this rule and may apply for first-time residence permits after entry. The same apply for "specialists". Applicants should contact a Norwegian foreign-service mission (embassy or consulate) to obtain application forms. The foreign-service mission can provide information about documents that must be included with the application. The application should be delivered to the foreign-service mission in an applicant's home country or the country where an applicant held a work or residence permit for the last six months. The foreign-service mission sends the work or residence permit application to the Directorate of Immigration (Utlendingsdirektoratet), which decides whether to grant the permit. After the application is considered, the foreign-service mission informs the applicant of the results where the application was submitted.

A foreign national who is given a work or residence permit is normally asked by the police to submit to medical clearance before the permit is stamped in the passport by the police. A foreign national may have to take a tuberculosis test within a week after arrival in Norway.

Exempt Categories

The following categories of individuals are exempt from the requirement to have residence and work permits when entering and working in Norway:

- Nationals of another Nordic country
- Personnel on foreign rail, air, bus or truck services working internationally, and necessary watchmen and maintenance personnel on ships laid up in Norway
- Journalists, foreign newspaper staff, and radio or television teams on assignment in Norway who are paid by foreign employers. These persons do not need work permits, but must have residence permits. A residence permit may be granted for up to two years

The following foreign nationals are exempt from the work permit requirement for employment situations lasting up to three months:

- Commercial travellers, business travellers or both
- Research workers, lecturers and others invited to Norway by educational or research institutions for professional or charity reasons
- Technical experts, technicians, consultants or instructors. The purpose must be to install, check, repair or maintain machines or technical equipment or to provide information on their use

-
- Employees in private households or foreign nationals who are staying in Norway on visits
 - Professional athletes attending sports engagements in Norway
 - Civil servants who are paid by their own countries

Information about work and residence permits is available in Norwegian, English, German and French from the Directorate of Immigration. Their web address is: www.udi.no.

Contact the Norwegian embassy in your country for further advice before leaving for Norway.

3. Main provisions of employment acts

In Norway, there are several laws governing the labour market, the most important are Act. No. 4 of 4 February 1977 relating to Worker Protection and Working Environment, and Act No 21 of 29 April 1988 relating to Holidays.

Employment contract

A written agreement confirming the basic elements of the terms must be presented to the employee within one month from the beginning of the employment. A foreign language is accepted provided that the employee has sufficient command of this language. If not, the contract will not be invalid but it will be more difficult for the employer to enforce it.

Working hours

The standard working week is a maximum of 40 hours as a yearly average. In practice the working week may be redistributed, typically for up to 45 hours per week (9 hours per day) between January-May and 35 hours per week between May to September and 40 hours per week remaining months. An approval from the authorities is needed before the working week is redistributed to an extent exceeding 9 hours per day.

Limitation of overtime

Overtime is together with the ordinary working hours limited to 14 hours per day. Further the overtime may not exceed 10 hours per week or 25 hours per continuous four-week period. Per year there is a maximum of 200 hours. In exceptional cases and after approval by the authorities more overtime may be used.

The employee has a legal right to overtime compensation corresponding to a 40% extra charge in cash. In practice, many employees get 50% extra charge in cash as overtime compensation.

The employee can agree to be compensated with time off instead of cash for the part of the overtime, which corresponds to the regular salary. The overtime extra charge has to be paid out in cash.

Vacation

Minimum 25 days (Saturdays included), i.e. four weeks + one day. Employees who have had their 60th birthday, are entitled to 31 days (Saturdays included). It is a fairly common practice to give 31 days also to employees on a higher level. One reason is to compensate these employees for any overtime not compensated by the legislated compensation.

Vacation is in principle not paid with ordinary salary but compensated through payment of vacation pay.

Vacation pay

Vacation pay is by law 10,2 percent of previous years salary, including overtime compensation, but except benefits in kind and vacation pay in that year.

Certain absence qualifies for vacation pay (e.g. parental leave) and an estimated pay during such absence shall be added to the base for calculating vacation pay.

Retirement age

Normal retirement is from age 67. The employee has the right to continue work until the age of 70. Retirement before the age of 67 must be based on voluntary agreements outside the scope of the Norwegian National Insurance Scheme.

Notice of termination of employment – minimum length of notice.

By employee:

- Employed less than five years - one month notice
- Employed five-ten years - two months notice
- Employed longer than 10 years - three months notice

By employer:

- Employee employed less than five years – one month notice
- Employee employed five-ten years – two months notice
- Employee employed more than 10 years – three months notice
- Employee employed ten years and age at least 50 – four months notice
- Employee employed ten years and age at least 55 – five months notice
- Employee employed ten years and age at least 60 – six months notice

The first day of the notice period is the first day of the month following the month when the notice was given.

Accepted reasons for termination with notice

Only "just cause", economic or relating to the individual. The employer decides what business to conduct and how he wants to organize his business. If he wishes to add a new business, close part of or his entire business, restructure his organization or change the size or competence of his staff, he is however in many situations obliged by Norwegian law to inform the relevant employee representatives before any definite decision is taken.

If the person is a member of a union, the employer has to inform and discuss with the union before the decision is taken to give notice. This applies both if termination is for economic or personal reasons.

Fixed term contracts expire automatically at the end of their term. When an employee on a fixed term contract has worked for the employee for more than 12 months he must be notified one month ahead of the end of the employment. Observe that fixed term contracts only are allowed to a limited extent.



OSLO

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TALLINN

STOCKHOLM

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