KPMG Law Advokatfirma AS

Tax Facts 2018

A survey of the Norwegian Tax System

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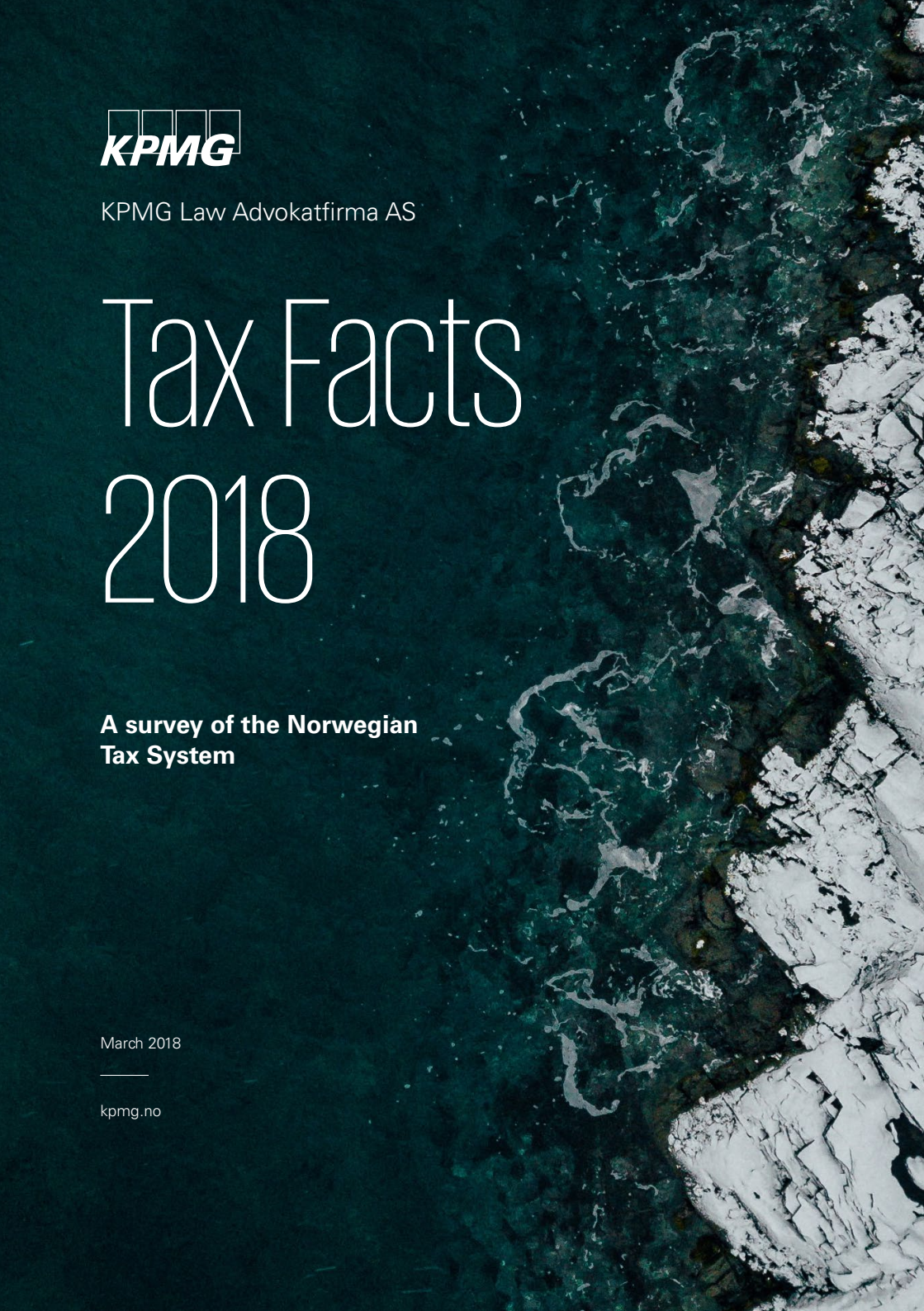

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1. Controls/restrictions on business

1.1 Foreign exchange

Permission from the Central Bank of Norway is not required for foreign investments by a Norwegian resident or investments in Norway by a person residing abroad. However, the transfer of money must be reported to the Central Bank of Norway by the bank through which the transaction was made and the foreign bank must be authorised to deal with such payments.

There are no restrictions on the amount imported and/or exported, but cash amounts higher than NOK 25,000 per person in or out of Norway must be reported to the Customs Service.

1.2 Foreign investor participation

There is no requirement to report the acquisition of shares in a Norwegian listed company. However, pursuant to the Taxes Management Act, non-listed public and private limited companies are obliged to report to the National Shareholder Registry the names of the company's shareholders as of 1 January in the year of assessment, the number of shares held and any transaction of shares that has taken place during the fiscal year.

Approval by the Ministry of Agriculture or the Ministry of Industry is required for the acquisition of farmland, forest, waterfalls or quarries. These rules also apply to acquisitions of other types of real estate or shares in companies owning real estate.

The purchaser is required to report the purchase to the relevant ministry, which is regarded as having accepted the acquisition if there is no reply within 30 days.

1.3 Takeovers, mergers and acquisitions

Takeovers

If a foreign company wishes to gain control over a business run by a Norwegian limited company, the foreign company can either purchase all the shares in the Norwegian company or purchase the business activity. Takeovers may also be carried out as mergers.

Mergers and demergers

The formal rules for mergers and demergers of companies are laid down in the Limited Companies Acts. A proposal for a merger agreement is drawn up by the boards of the two companies and presented to the general assembly of both companies. The resolution of the general assembly of both companies must be reported to the National Registry of Business Enterprises within one month. If not, the merger is not effective. When the merger resolution has been registered, the registrar will publish the resolution. They will notify the companies' creditors

that they must report their claims to the companies within 6 weeks from the date of the last announcement if they intend to raise any objection to the execution of the resolution.

Corresponding rules apply to demergers.

Tax treatment of mergers and demergers

Mergers and demergers may be treated neutrally for tax purposes. The companies may also carry tax losses forward after the merger, subject to anti-avoidance provisions. A prerequisite for tax neutrality is that there is continuity in the involved tax positions before and after the transaction.

Further, the Ministry of Finance may, on application, grant a tax reduction or relief from tax on group reorganisations that would otherwise not qualify for neutral treatment. However, the application procedure may be lengthy. It is important to observe that the application must be made in advance of the planned transaction.

Conversion of a Norwegian registered company into a branch of a foreign company

The conversion of a Norwegian registered company into a branch of a foreign company resident within the EEA-area may be carried out by way of a merger of the Norwegian company into the foreign company. This type of merger or demerger may be carried out on a tax neutral basis. Please see the detailed discussion below.

Furthermore, such a conversion may be carried out by way of liquidation of a Norwegian company held by a non-resident company. The liquidation will, for tax purposes, entail a full realisation of the assets and liabilities of the Norwegian company. As a main rule, gains on the realisation of assets will be taxable at a rate of 23%. Losses are deductible. Under certain conditions the shareholders may apply for tax deferral, which is often granted.

Cross border mergers/demergers and exchanges of shares

Rules for cross border mergers and demergers were first introduced in 2011. The rules allow for tax neutral cross-border mergers and demergers between Norwegian private limited companies/public limited companies and foreign limited companies that are resident within the EEA area. Under the rules a merger or demerger between a Norwegian transferring company and a foreign qualifying company will not trigger taxation on company or shareholder level.

In 2015, the Norwegian government amended changes to the rules on cross-border intra-group transfers of assets and liabilities. The rules on cross-border intra-group transfers are applicable in the following situations:

- Transfers from a limited liability company to a foreign limited liability company within the same group
- Transfers from a Norwegian partnership to a foreign partnership within the same group

However, if assets, rights or liabilities are taken out of Norwegian tax jurisdiction the general exit tax rules will apply (see section 2.18).

The legislation also allows for tax neutral exchange of shares, when transferring at least 90% of the shares in a Norwegian transfer or private limited company/public limited company in consideration for shares in a foreign resident company. The same applies when the transferee company is resident in Norway and the transfer or company (limited liability) is resident in another country. These rules apply both within and outside the EEA area.

A general condition for tax-free cross-border mergers, demergers, or exchange of shares is that the participating companies are not resident in low-tax countries within the EEA area, unless the company is genuinely established and carries on business activities in the EEA country. Exchanges of shares can also be carried out outside of the EEA, provided that the companies are not resident in "low-tax countries".

A general condition under the rules is that the transaction is tax neutral in all countries and that all tax positions are unchanged for the shareholders and the companies involved. There are some exceptions.

Reorganisations of a business

The Ministry of Finance has authority to adopt regulations on tax-free transfers of business etc. to the following cases:

- transfer of business in a Norwegian company's foreign branch to a limited company in the same country
- transfer of business in a Norwegian branch of a foreign company to a Norwegian limited company transfer between branches of related assets, liabilities and business, provided that the foreign ownership companies constitute a part of a group

2. Corporate Taxation

2.1 Overview

Resident companies are subject to corporation tax on worldwide profits and capital gains. Non-resident companies are subject to corporation tax on Norwegian sourced profits, including income derived from a permanent establishment in Norway. Partnerships and limited liability partnerships are transparent entities for tax purposes i.e. profits and losses are calculated at the partnership level and the result is allocated to the partners and taxed at their hands.

A special rule, introduced with effect from 1 January 2013, prescribes that income/costs related to petroleum exploration outside Norway and the geographical scope of the Petroleum Tax Act (see section 2.20) are not taxable/deductible. The rule does not apply to foreign exchange and financial income.

2.2 Residence

The term "resident" is not defined in the legislation. As a starting point, a company is regarded as resident in Norway when it is incorporated under Norwegian law and registered in the Norwegian Registry of Business Enterprise or its central management and control is carried out in Norway.

In 2017 the Norwegian department of finance proposed changes to these rules, but the final proposal is not completed. Under the proposed rules Norwegian companies established in Norway will be considered resident in Norway, unless it is resident in another country under the relevant tax treaty. For foreign companies, the place where the management and control is carried out, will still be decisive. However this will be based on a broader evaluation of "effective management" than merely the activities of the board of directors.

2.3 Income Liable to Tax

For companies resident in Norway, all income derived from whichever source, as well as capital gains, is liable to Norwegian tax. The determination of taxable income is based on the results shown by the annual accounts, as adjusted by legislation or any other rule of Law. Capital gains are computed as the difference between the selling price and the original acquisition cost less the tax deductible depreciation taken. There is no indexation of the cost or tapering of the gains.

2.4 Deductions

As a general principle, all expenses incurred for the purpose of obtaining, maintaining or securing taxable income are deductible. The deduction of certain expenses is limited by the legislation, including expenditure on donations and representation. The exact line between ordinary tax deductible costs and costs relating to representation is difficult to draw and depends on the facts and circumstances. The deduction of expenditure on bribes is disallowed by statute.

Dividend distributions are not deductible for tax purposes. There are limitations with regards to the deductibility of losses on intra-group loans. This applies to claims held by companies on limited companies, investment funds, inter-municipal companies and transparent companies, in which the creditor owns at least 90% of the shares as well as controls at least 90% of the votes. Certain claims are exempt from this rule; i.e. claims which have already been subject to income tax, and certain claims arising out of mergers where a parent issues shares in consideration for assets contributed to a subsidiary.

There are also limitations on deductibility of losses on receivables generally. For such losses to be deductible, the loss must be final and must be business related.

Depreciation and amortisation

A depreciable asset is an asset used for business purposes with a cost of at least NOK 15,000 and with an estimated useful life of at least three years. The cost price of other assets may be deducted immediately upon acquisition. However, securities, plots, buildings for homes, and art are not depreciable.

There are two alternative methods to determine the amount of tax-allowable depreciation;

1. For certain types of assets, the fixed maximum rates of depreciation are specified in the legislation. These specified rates cover most tangible assets and acquired goodwill. The rates vary from 2% to 30%, and are not intended to allow for the building up of any reserves; and
2. For intangibles that are not covered by the specific rules, general rules allow for the deduction of the acquisition cost of the asset over its lifetime.

A special rule applies within the mining industry. The business can depreciate its capital cost (including the cost for the mineral deposit) over the lifetime of the mine.

Depreciable business assets are classified into ten groups in the Norwegian General Tax Act. The groups and rates are:

a. office equipment: 30%;

b. acquired goodwill (business value): 20%;

c. trucks, trailers, buses, taxis and vehicles for disabled persons: 24%; 30% for vehicles that run solely on electricity

d. automobiles, tractors, machinery and equipment, tools, instruments, fixtures and furniture, etc.: 20%;

e. ships, vessels, drilling rigs, etc.: 14%;

f. aircrafts and helicopters: 12%;

g. plants and certain machinery for the distribution of electric power and electro technical equipment for the production of electric power: 5%;

h. buildings, hotels, restaurants, etc. including but not limited to cleaning plants, cooling systems, pneumatic systems and similar technical and auxiliary plants and installations: 4%;

i. office buildings: 2%; and

j. permanent technical installations in buildings, including sanitary installation, elevators etc.: 10%.

Plants and buildings with an estimated lifetime of 20 years or less may be depreciated at 10%, rather than 4%. However, the increased depreciation rate of 10% does not apply to plants and machinery used in petroleum activities outside the EU/EEA (please note 2.1).

All the tangible assets listed and acquired goodwill are subject to the declining-balance method of depreciation. Assets in group (a) to (d) are depreciated on an aggregate (pool) basis. Each asset in group (e) to (i) must be depreciated separately. Assets in group (j) must be depreciated on an aggregated basis per building.

Special rules governing depreciations of assets used in the wind farming are applicable to projects commenced after 18 June 2015. Under these rules, wind turbines, internal grid and foundations acquired prior to year 2021 are depreciated at a linear basis over five years.

2.5 Gain/loss on realisation of assets

Gains on sales of assets or a business may generally be deferred. Losses must normally be deferred.

Revenue upon realisation of assets within group a) to d) must, if it is not booked directly as income, be deducted from the balance of the group for the asset (leading to taxation through reduced depreciations). Gain/loss upon realisation of assets within group e) to i), and negative balance in group b), can/must be booked on the gain/loss account. Special rules apply for gains on assets within group e) to i) if the asset is realised because of a fire or another incident or through expropriation.

For group j) special rules apply, but generally a gain/loss can/must be booked on the gain/loss account.

Gain/loss on assets which are not depreciated through the group system can/must be booked on the gain/loss account. This, however, does not apply to securities, receivables or other financial assets.

The gain/loss account(s) must be set up for each business and for each municipality. The account is depreciated with 20% on a declining balance basis (if positive 20% is booked as income, if negative 20% may be deducted as expenditure).

2.6 The exemption system for dividend and gains

Corporate shareholders are exempt from taxation of dividends and gains on shares, except for a claw back of 3% on dividends. The claw-back does not apply if the dividend is distributed within a tax group (see section 2.10). Losses on shares qualifying under the exemption method cannot be deducted.

For individual shareholders, dividends and gains are taxed under a modified classical system (see section 4).

Exemption for dividends and gains on shares in companies resident in the EEA

For corporate shareholders, an exemption system applies, as a main rule, to all investments within the EEA. In relation to companies resident in low tax jurisdictions within the EEA the exemption method will only apply if the company in which it is invested fulfils an additional substance requirement. In the language of the legislation, the exemption only applies if such a company is genuinely established and performs real economic activity in the relevant jurisdiction. The fulfilment of this criterion is based on the particular facts and circumstances where a key factor is to consider whether the foreign entity is established in a similar way to what is normal for such entities both in the country of residents and in Norway.

If the investment qualifies, the exemption method covers dividends and gains on shares and derivatives where the underlying object is shares, regardless of the level of holding or holding period. Trading in shares and certain derivatives is thus tax exempt when made from a Norwegian resident limited company.

Convertible bonds are not covered by the exemption method.

Losses on shares in a company which is a tax resident in a low tax country within the EEA and lack the sufficient substance are not deductible, as the shares, in the case of a loss, qualify under the exemption method, even though a gain or dividends would not.

Limitation of exemption for investments outside the EEA

For investments outside the EEA area, the exemption will only apply if the shareholder holds 10% or more of the share capital and the voting rights of the foreign company. The shares must be held for a period of two years or more. Losses will not be deductible if the shareholder, at any point during the last two years, has held 10% or more of the share capital or the voting rights of the foreign company. The exemption does not apply to investments outside the EEA, where the level of taxation is below 2/3 of the Norwegian tax that would have been due if the foreign company had been resident in Norway (both a white list and a black list exist). Dividends are tax exempt from day one, provided that the criteria are met at a later time.

For investments outside the EEA not qualifying for the exemption, dividends and gains will be taxable and losses will be deductible. For such investments, a credit for withholding tax and underlying tax will be granted (see section 2.7).

Exemption from withholding tax on dividends for EEA resident corporate shareholders

The exemption method also provides for a tax exemption for shareholders resident within the EEA, meaning that no Norwegian withholding tax will be due for shareholders which are covered by the exemption method. The exemption method will only apply if the shareholder fulfils a substance requirement (see above). In the language of the legislation, it applies only if such a company is genuinely established in and performs real economic activity in the relevant EEA country. The fulfilment of this criterion is based on particular facts and circumstances where a key factor is to consider whether the foreign entity is established in a similar way to the normal organisation of such entities both in the country of residence and in Norway.

Shareholders resident outside the EEA would still be charged withholding tax, subject to relief under tax treaties.

2.7 Double tax relief (DTR)

Double tax relief is available under domestic law, or in accordance with double taxation conventions entered into agreement between Norway and foreign states. At present, double taxation conventions with 94 nations are in effect.

Prior to 1992, tax treaties were normally based on avoidance of double taxation by using the exemption method. Under this system, income derived from a foreign resident source was not to be considered as tax liable income in Norway, and thus exempt from taxation. A number of tax treaties are still based on the exemption method.

Since 1992, Norway has practised the credit system. Under this system, income derived from a foreign source is considered tax liable in Norway, but the taxpayer is credited a tax relief based on taxes paid in the state of source. Credit is normally limited to the rate of Norwegian tax levied on foreign income. All double tax conventions entered into after 1992 are based on the credit system. Further, several of the older conventions have been renegotiated by introduction of the credit system. Under certain conventions, relief from double taxation provided may be more beneficial than under domestic law.

Relief from double taxation under domestic law is available either by way of a double tax credit or by deduction of the foreign tax from the Norwegian corporation tax base.

To the extent that dividends are taxable, companies holding more than 10% of the shares and voting power of non-resident companies may claim double tax relief on the underlying corporation tax on distributions from those companies. Credit for underlying corporation tax in the country of source as well as withholding taxes, is allowed on the tax on taxable foreign sourced dividends. The recipient company must hold 10% of the shares as well as the voting power of the foreign subsidiary.

Credit is also allowed for underlying tax on second tier subsidiaries resident in the same country, provided an effective ownership by the parent company of at least 25%. No credit is allowed for tax paid by companies below sub subsidiaries.

An ordinary tax credit is allowed for foreign taxes paid on income subject to tax in Norway. DTR is divided into two income categories. The categories are as follows:

a. income from business activities in low tax jurisdictions; and

b. other foreign income

This basket system means that the taxpayers' income and costs must be allocated to each category of foreign income and to Norwegian income. The calculated Norwegian tax, which proportionally relates to each category of foreign income, constitutes the maximum foreign tax credit. The credit rules involve a restriction compared to the previous legislation.

It is possible to carry forward unused credit up to five years (also beyond the maximum credit for the particular year). This means that tax paid on foreign income, in a year where the domestic income is nil and the maximum foreign tax credit is nil, can be carried forward the following five income years within each of the income categories. Note that the total credit within each income year must not exceed the maximum foreign tax credit for the particular year. Also note that the carry forward credit may only be utilised after the credit for that particular income year (i.e. the credit may not be rolled forward).

There is a limited possibility to carry back (re-allocate) foreign tax towards Norwegian tax in the preceding year within each of the income categories. This right is only subordinate to the right to carry forward unused credit. Before the re-allocation can be completed, the company must substantiate that they will not have such taxable foreign income the next five years.

It is not possible to credit foreign paid taxes related to exempt income (see section 2.6).

Income and costs related to petroleum exploration and exploitation outside Norway and the geographical scope of the Petroleum Tax Act (see section 2.20) are not taxable/deductible, thus no credit will be allowed.

In June 2017, Norway and 70 other jurisdictions signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). MLI offers concrete solutions for jurisdictions to close the gasps in existing international tax rules by implementing actions from the BEPS-project (Base Erosion and Profit Shifting), developed by OECD/G20, into bilateral tax treaties worldwide.

For Norwegian purposes, the MLI modifies the application of 28 bilateral tax (in total 94) treaties concluded to eliminate double taxation. In addition, the signing of MLI also implements minimum standards to counter treaty abuse and to improve dispute resolution mechanisms while providing flexibility to accommodate specific tax treaty policies.

With subject to methods for elimination of double taxation (MLI article 5), Norway has chosen to apply the credit method as the method for elimination of double taxation in their covered tax treaties. However, this will only effect the tax treaty with China as the only current treaty applying the exemption method. Applying the credit method will only give effect if China also agrees to the application for their tax treaties.

Nevertheless, the department of finance is still to provide its final standing concerning the tax treaty related measures to be submitted. A white paper is expected to be issued for public hearing within 2018, and be effective from 2019.

2.8 Losses

Losses of any kind may be set off against income from all sources including capital gains and may be carried forward indefinitely. The right to carry the losses forward is not affected by changes in ownership of the company or reorganisations, provided that it is not likely that exploitation of the loss was the main objective for the transaction (see section 2.12). Tax losses carried forward may also be used to offset gains arising from the termination or sale of the business in which they were incurred.

Losses may be carried back for a period of two years when the business of an enterprise ceases.

In case the debt of the taxpayer is subject to remission, the tax losses exceeding the amount which is subject to remission may be carried forward.

2.9 Grouping/consolidated returns

There is no consolidation of groups for tax purposes, but relief for losses may be claimed within a group by way of group contributions. Group contributions are deductible for the contributor and taxable income in the hands of the recipient. The holding requirement for group contribution purposes is 90%. The parent company must hold, directly or indirectly, more than 90% of the shares and the voting rights of the subsidiary. The ownership requirement must be met at the end of the fiscal year.

Group contribution (with tax effect) may not be given or received with respect to income subject to the Norwegian petroleum taxation regime.

The tax deduction for a group contribution is conditional on the contribution not exceeding the taxable income of the contributor, and the requirements for contributions under the Companies Act must be met. Under the Norwegian Companies Act any contribution from a company to a shareholder, except for the repayment of the share capital, must conform to the rules concerning dividends. Both the contributor and the recipient must affirm that the required conditions are fulfilled at the end of the income year in an enclosure to the tax return for the year when the contribution is given.

Group relief is available between Norwegian subsidiaries of a foreign parent as long as the 90% ownership requirement is fulfilled by 31 December. This applies to foreign companies resident within the EEA which are considered comparable to Norwegian companies, as long as they are taxable to Norway through a permanent establishment and the group relief is taxable to Norway. Also, under non-discrimination clauses of double tax conventions, group relief is available for contributions made from a branch of a foreign resident company to a Norwegian subsidiary of the same tax group.

2.10 Tax rates

A uniform corporate tax rate of 23% applies to the sum of profits and capital gains.

Limited companies resident in Norway, in the EEA-area or those which are covered under the non-discrimination clause under Norwegian tax treaties, do not pay net wealth tax.

2.11 General anti-avoidance standard

A general anti-avoidance standard developed by the tax authorities and the Norwegian Supreme Court exists, under which transactions undertaken with little or no other purpose than avoiding tax may be disregarded for tax purposes. The standard is wide-ranging and applies if a transaction or a series of transactions is, (i) mainly tax motivated and (ii) regarded as disloyal to the tax law. The government's opinion is that this general standard must be codified in the Norwegian tax law. Hence, the Ministry of Finance initiated a process to review and prepare a proposal for a legislative amendment. The proposal was sent on public hearing in the latter half of 2016. To date, no conclusion has been made by the Ministry of Finance.

2.12 Special anti-avoidance clause

A special anti-avoidance clause only covering general tax positions is included in the Norwegian Tax Act. The rule applies where a company has been part of a merger/demerger or has had a change in ownership through any other transaction. Pursuant to the rule, tax positions not linked to an asset or debt may be lost where the main motive for a transaction is the tax position in itself.

2.13 Controlled foreign company (CFC)

As a general rule, Norwegian CFC rules (NOKUS) apply to investments in low tax jurisdictions outside the European Economic Area (EEA). The CFC legislation applies where a Norwegian shareholder (corporate or individual), (i) holds at least 50% of the shares in a foreign company resident in a low tax country, or (ii) in other way controls, directly or indirectly, at least 50% of the shares or capital.

The Norwegian CFC regime is applicable where one of the criteria above is met at the beginning and the end of a fiscal year. Should a Norwegian shareholder own more than 60 percent of the shares at the end of the fiscal year, the CFC rules are applicable notwithstanding the rules stated above. The shareholders do not need to be related to each other in order for the rules to apply.

Separate from regular taxation of limited companies, the CFC rules apply to the Norwegian shareholders. The shareholders are subject to tax applicable with the net-method, i.e. the foreign company is taxed as a Norwegian general partnership and income is allocated each partner respectively. Thus, resulting in the arrangement of a joint tax account for all partners prepared in line with Norwegian company law.

The jurisdictions where the general corporate income tax rate is less than two thirds of the Norwegian rate which would apply if the company was resident in Norway, are considered as "low-tax jurisdictions". The corporate income tax rate in Norway is 23% per 2018. Hence, the CFC rules only apply for foreign companies resident in jurisdictions where the general corporate income tax amounts to less than 15.4% (23 x 2/3). The tax reform of 2015 gave notice of a potential increase in the threshold from two thirds to three fourths, in relation to a future decrease in tax rate to 22%. There have however not been any further propositions regarding the threshold adjustment.

The assessment of weather a jurisdiction is to be considered as low-tax jurisdiction is based on the actual difference in tax level over several years. This implies a general evaluation of the tax level in Norway and in the foreign jurisdiction respectively in line with the applicable internal tax rules, whilst comparing the two jurisdictions over more than two fiscal years.

With subject to the above stated, a binding black list and a non-binding white list of jurisdictions with sufficient/insufficient taxation levels is issued annually by the tax administration.

The CFC legislation may not be applied to controlled companies that are genuinely established in an EEA jurisdiction and which fulfil the substance requirement (see section 2.6). Whether the company is genuinely established in an EEA jurisdiction and actually performs economic activities, is based on an overall evaluation. The Norwegian resident shareholders must provide evidence to the Norwegian tax authorities in order to verify the fulfilment of the substance requirement. In addition, if the company is not covered under a Norwegian tax treaty with an exchange of information article in force between Norway and the respective EEA jurisdiction, the company must present a statement from the tax administration in its country of incorporation, which confirms that the information provided is correct.

Further, the CFC legislation may generally not be applied to companies resident in a jurisdiction in which Norway has concluded a double tax treaty with, provided that the company's income is not mainly of a passive nature. Some tax treaties do however have special provisions excluding some activities and/or activities carried out in special economic zones.

2.14 Transactions between related parties

The Norwegian Tax Act contains a wide-ranging related person's provisions, under which the tax administration may adjust the taxable profits of taxpayers where transactions with related parties have led to a reduced tax base. In principle, if the related party is resident in a non-EU/EEA jurisdiction, the burden of proof is on the taxpayer to verify that the reduction of the tax base is not due to the common interest of the parties.

In Norway, the primary legal basis for the arm's-length principle is section 3-9 of the Companies Act and section 13-1 of the Norwegian Tax Act 1999. Pursuant to section 3-8 and 3-9 in the Limited Liability Companies Acts, the transfers of assets/business undertakings between related persons must be based on arm's length terms and principles (fair value). Section 13-1 provides that, where the income or wealth of a Norwegian resident company has been reduced as a result of transactions with a related party, the tax authorities are empowered to estimate the amount of the shortfall in income or wealth and assess this to Norwegian tax.

2.15 Transfer pricing

General

Transfer pricing refers to the pricing of transactions between related parties, both domestic and cross-border transactions. Any transfer of tangible or intangible property or any provision of services or financial instruments within multinational groups will trigger transfer pricing issues. The arm's length principle generally applies to transactions between related parties, i.e. the community of interest between the related parties should be disregarded when assessing the terms and conditions, including price, agreed between them.

As a starting point, the burden of proof lies with the tax authorities to substantiate that it is more likely than not that the income of the Norwegian taxpayer has been reduced due to erroneous transfer pricing and that this is caused by the community of interest between the parties.

The attribution of profits to a permanent establishment generally follows the same principles as prescribed in the OECD transfer pricing guidelines and is therefore based on the arm's length principles as applied by the general transfer pricing rules. This implies that the allocation of profits between the headquarter and the permanent establishment is based on what the permanent establishment would have earned at arm's length if it was a separate and independent enterprise (i.e. the "separate entity approach").

Documentation and Country-by-country reporting

Transfer pricing documentation rules impose an obligation for companies to prepare specific transfer pricing documentation. The taxpayer is obliged to prepare transfer pricing documentation as stipulated by the Norwegian Tax Assessment Act 2016 section 8-11 and the associated Tax Administrative Regulations ("Skatteforvaltningsforskriften"). The reporting requirements and transfer pricing documentation rules apply to companies that own or control directly or indirectly, at least 50% of another legal entity. A Norwegian permanent establishment with its headquarter in a foreign country and a foreign permanent establishment with its headquarter in Norway are covered by the transfer pricing rules.

Furthermore, partnerships where one or more of the partners are taxable in Norway are covered by the transfer pricing rules.

The taxpayer must provide certain information with regards to its intra-group transactions in the annual tax return (Form RF-1123). In addition, the taxpayer must prepare transfer pricing documentation explaining the activity within the company and the group, including the type and the volume of the transactions between the related parties, functional analysis, industry/market and competition analysis, comparable analysis and an analysis of the transfer pricing method used. However, small and medium-sized enterprises may be exempt from the obligation. Hence, the Norwegian transfer pricing documentation rules follow to a large degree OECD principles, however, with certain specific additional requirements. Such requirements include providing documentation for the last 3 years of turnover and EBIT for the related companies/branches involved in intra-group transactions with the taxpayer.

Taxpayers must be prepared to file the documentation within 45 days upon written request from the tax authorities. Non-compliance may increase the risk of penalty taxes and loss of rights to lodge complaints in certain cases.

As of the income year 2016, Norwegian based multinationals with consolidated revenues exceeding BNOK 6.5 must comply with country-by-country reporting ("CbC") which to a large degree follows recommendations from the OECDs BEPS (Base Erosion and Profit Shifting) project. Norwegian subsidiaries of foreign multinationals, where the parent of the group files CbC documentation in its country of residence, are required to notify the tax authorities for who and where the CbC reporting is submitted when filing the annual tax return. In specific cases, Norwegian subsidiaries of foreign multinationals are comprised by CbC.

Local/Master File concept documentation as suggested by the OECD Action point 13 is advisable and Norwegian regulatory requirements to that effect can be expected to formally enter into force.

In the interim, we recommend to apply a combined version of the OECD recommendations and the Norwegian regulatory requirements when preparing the transfer pricing documentation.

The Norwegian tax authorities have established a project group to administer formal APA (Advance Pricing Agreement – "forhåndsprisingsordning") processes. No legislation for APAs currently exists, however, the Ministry of Finance has stated that they are considering APA regulations.

Norwegian competent authorities have also opened for more mutual APA negotiations with other countries, especially in connection with MAPs (Mutual Agreement Procedures) and on a Nordic level.

2.16 Limitations of tax deductibility for interest expenses

All interest paid is, as a starting point, deductible in computing the taxable income of the taxpayer. However, rules limiting taxable deductions for interest expenses have entered into force with effect for all accounting years ending on or after 1 January 2014. In short, the rules limit deductibility of interest paid on loans to related parties. The rules aim at discouraging the utilisation of highly leveraged holding companies to acquire profitable Norwegian enterprises, and using the tax deductions from the intra-group interest payments to offset the taxable profits of the target company.

While the rules are essentially an anti-avoidance measure, they are template-based and would therefore apply regardless of the business rationale behind a financing arrangement.

The basis for the calculation is the taxable income as stated in the tax returns. This is the final taxable income, after use of loss-carry forwards, group contributions and other relevant adjustments. Tax exempt income, such as certain dividends and gains on shares, does not increase the basis for deductions. Tax depreciations and net interest expenses (on both related party debt and debt to unrelated creditors) are added back onto the taxable income, and maximum deductible interest on related party debt is limited to 25% of this amount:

Taxable Income	
+	Tax depreciations
+	Net interest costs (from related and unrelated parties)
=	Tax EBITDA

Maximum tax deductible interest is 25% of Tax EBITDA. Disallowed related party interest costs can be carried forward for a total of ten years. The interest expense limitation is triggered only if the taxpayer has net interest expenses (related and unrelated creditors) in excess of NOK 5 million.

While it is only deductions for interest payments made to related parties which can be disallowed under the new rules, it is important to note that payments made to unrelated parties would also count towards the computation of maximum deductible interest. Interest cost to unrelated parties is deducted from the maximum interest cost (25% of Tax EBITDA) before related interest cost is deductible. The rules also apply for interest expenses on certain short-term loans (including cash-pool arrangements). In addition to ordinary interest payments, the rules apply to payments made in consideration for a related party providing a guarantee for a loan.

Loans from unrelated parties may in certain circumstances be within the scope of the interest limitation rules if they are guaranteed by a related party.

Referring to the 2014 proposal and to the OECD's work in connection with base erosion and profit shifting (BEPS), the position of the Norwegian government is that the current interest limitation rules still provide opportunities for profit-shifting. According to the government, extending these rules to apply to both internal and external lenders must be examined and evaluated in light of BEPS project and recommendations. Thus, the Ministry of finance proposed in May 2017, that the interest limitation rule on interest expenses would also cover interest on external debt. The proposed rules would apply with respect to entities that are part of a consolidated group. A "safety valve" is included in the proposal, based on the group's equity ratio. The proposed changes were not included in the Budget for 2018, but a new proposal is expected to be made in time for the rules to be effective from 1 January 2019.

Application of the limitation of tax deductions for interest expenses to related parties is delayed for the E&P companies encompassed by the Petroleum Tax Act.

In addition to the rules described above, the arm's length principle in section 13-1 of the Norwegian Tax Act 1999 still applies e.g. with regards to the level of interest rates and general thin capitalisation implications.

2.17 Taxes on undistributed profits

There are no special taxes on undistributed profits.

2.18 Exit tax

There are two sets of rules governing the situation where assets or liabilities are taken out of Norwegian tax jurisdiction. The two are largely overlapping.

Exit taxation on certain transfers of assets and liabilities

Exit tax is levied on unrealised capital gains when tangible or intangible assets cease to be connected to the Norwegian tax jurisdiction (this includes an exit of a CFC-company or a participation in a limited partnership). The gains are calculated as the difference between fair market value and the tax input value.

Subsequent to amendments to the legislation from 2014, tax payable may now be deferred for all taxes if exited by a company resident in the EEA. Under the new scheme the exit tax should be paid in seven annual instalments. If the asset is realised before the seven years have lapsed, the total exit tax becomes payable at the time of the realisation. The taxpayer must also place collateral for the exit tax, including the interest charge. Losses may be deducted upon exit. There is no reduction of the exit tax liability if there is a decrease in value after the exit taxation.

Exit taxation on emigration of companies

If a company ceases to be resident in Norway for tax purposes under the Norwegian Tax Act section 2-2 or under a tax treaty, the emigration from Norway will as a starting point mean that gains/losses on its assets and liabilities are subject to tax/are tax deductible as if the asset or liability was realised. The emigration of a Norwegian company to a country within the EEA, is as such not considered a taxable event. Instead the rules on taxation of assets moved from Norway will apply. This means that if the assets/liabilities remain connected to the Norwegian tax jurisdiction, typically through a permanent establishment, no exit charge will apply. If the company immigrates to an EEA Member State with a low applicable tax rate, there is an additional requirement that the company is genuinely established and pursues genuine economic activity.

2.19 The petroleum tax system

All petroleum related activities on the Norwegian Continental Shelf are governed by the Petroleum Tax Act, but the general tax legislation will also apply for situations where there are no specific rules in the Petroleum Tax Act (PTA). Since most of the petroleum activity is outside the territorial borders of Norway, a key objective of the PTA is to secure Norwegian tax liability for all petroleum related activities carried out on the Norwegian Continental Shelf.

In certain situations, the tax liability will also stretch into the open sea as well as into other countries' territorial borders. For inter-continental pipeline transportation, Norwegian tax liability will often be based on bi-lateral tax treaties.

Another important part of the PTA, is to provide special rules for the exploration, development and production of petroleum from the Norwegian Continental Shelf (including pipeline transportation). Thus, most of the special rules in the PTA apply only to exploration, development, production and pipeline transportation of petroleum (E&P activities) at the Norwegian Continental Shelf, and other types of activities will be taxed under the general tax legislation.

The E&P special rules include a special tax of 55% in addition to the ordinary corporate tax of 23%, i.e. a tax rate of 78%. However, there are also fairly generous allowances such as six years straight line depreciation (from first investment) and a separate uplift when calculating the special tax. The uplift is given as an additional depreciation of 21.2% (5.3% over four years), but only with respect to the 55% special tax basis. This uplift rate is for investments as of 1 January 2018. For previous investments the uplift rate of 22% will still apply, unless further grandfathering rules (ref below). The basis for uplift is the same as for depreciation, i.e. capitalised development costs. The six years depreciation and uplift applies only to offshore assets used for petroleum production and pipeline transportation of petroleum produced on the Norwegian Continental Shelf. Other assets are subject to ordinary depreciation rules with no uplift.

For investments until 5 May 2013 the uplift was 30% over four years, and there are certain grandfathering rules which will enable certain defined projects that were decided prior to 5 May 2013 to obtain 30% uplift also for post 5 May 2013 investments. Furthermore, a company can get a refund of the tax value of losses related to exploration on the Norwegian shelf (i.e. 78%) (see section 2.20). Other important special rules for exploration, development and production of petroleum from the Norwegian Continental Shelf (including pipeline transportation) include the following:

All exploration costs may be expensed, and for companies in a loss position, the state will make a cash refund of the tax value (i.e. 78%) of the exploration costs limited to each year's tax loss. The state will also make a cash refund of the tax value for any unused loss that the company may have when exiting the exploration and production business subject to special tax.

Net financial costs incurred on interest-bearing debt are deductible, but there are important restrictions with respect to deductibility against the 55% special tax. A full 78% deduction of the net financial costs related to interest bearing debt (interest + foreign exchange gains/losses) is limited to the year-end remaining tax value for qualifying offshore assets x 50% over the average interest bearing debt for the year. All other financial costs and income are only subject to the ordinary onshore 23% corporate tax rate. The new legislation regarding limitations for interest deduction that was introduced in the General Tax Act as of 1 January 2014 has not yet been introduced for companies subject to special tax.

For the purpose of determining the taxable income from the sale of petroleum, the PTA states that a norm price may be stipulated and used as a replacement for the actual sales price. So far the norm price is used only for oil, and not for gas and condensates. The norm price is set by a separate Norm Price Board, and there is normally one norm price for each producing field. The norm price is normally set on a daily basis. The norm price should be equivalent to the market price for similar oil traded between independent parties. The actual sales price (i.e. no norm price) is used as a basis for taxation of gas sales, and currently also for condensates. With respect to gas prices, the taxpayer has an obligation to report all key terms of gas

sales (internal and external) to the tax authorities on a quarterly basis. This will then be used by the tax authorities as a benchmark when evaluating whether internal sales are done on arm's length conditions.

Consolidation of income and costs between fields is permitted. Thus, there is no ring fence between a taxpayer's different fields and licenses as long as the licenses are held by the same legal entity.

There are special rules for transfer of licenses which are normally done on an after tax basis, i.e. that the consideration paid will represent a non-deductible item for the buyer, and will not be regarded as a taxable income for the seller. Further, the buyer will take over the seller's depreciation and uplift basis without any step-up.

Companies that are not in a tax position may carry forward their losses and carry forward uplift with interest. The interest is set annually by the Ministry of Finance based on a risk free interest. For the income year 2018, the interest is 0.7%. The carry forward of losses is indefinite.

For more information on the petroleum tax system see our publication "A guide to Norwegian Petroleum Taxation".

Other taxes

Other important taxes linked to petroleum activities are the Carbon Dioxide Tax (CO2 tax), the NOx Tax and the area fees. All these elements are regarded as ordinary (deductible) operational expenses. CO2 tax is levied at a rate per standard cubic metre (scm) of gas burned or directly released and per litre of petroleum burned. The rate for 2017 is NOK 1.04 per litre of petroleum or scm of gas. In addition, the companies have to buy CO2 quotas, but each license may also apply for a certain amount of free quotas. Pursuant to the Gothenburg Protocol of 1999, Norway has an obligation to reduce annual emissions of nitrogen oxides (NOx). For 2017, the tax is NOK 21.59 per kg of NOx, but this may be reduced to NOK 11 for the oil and gas industry, if joining the NOx fund. In a Supreme Court decision from November 2013, the court concluded that it is the rig owner and not the field operator that is responsible for the NOx tax linked to the rigs. However, as of 1 January 2014 the law changed giving the operator of the license responsibility for the NOx tax. All operators are members of the NOx fund, thus, limiting the NOx tax to 11 NOK per kg emission. The NOx fund is based on an agreement with the state that runs out in 2017, and there are ongoing negotiations to continue the fund system.

There have also been ordinary adjustments of the CO2 and NOx tax rates for 2018. The rates are currently:

- CO2: NOK 1,06 per sm3/liter emission, and a new category of emissions of natural gas to air of NOK 7,30 per sm3/liter emission. The latter category is assumed to be very limited.
- NOx: 21,94 NOK per kg emission.

The payment to the NOx fund is for 2018 NOK 12 per kg NOx emission for E&P companies, and NOK 6 per kg emission for other companies.

The area fee is intended to be an instrument that contributes to efficient exploration of awarded acreage so that potential resources can be produced as quickly as possible within a prudent financial framework, as well as to extend the lifetime of existing fields. Thus, area fees are generally not due for the initial exploration period, and exemptions may also be granted for a longer period if the company has sufficient activities within the area. The area fee is NOK 34,000 per square kilometre for the first year, NOK 68,000 for the second year and NOK 137,000 for the third year as well as for any following years.

Tax calculation

Special tax basis

Operating income (norm price for crude oil)

- Exploration and operating costs (incl. environmental taxes)

- Depreciation (six years straight line as spent for offshore assets)

- (+) net financial cost (income) *

Corporate tax basis

- (+) net financial cost (income) allocated onshore

- uplift

*Certain income and costs, including financial items, may be regarded as ordinary onshore income/cost

Way forward

Under the current Government it is not expected any major changes to the petroleum tax system. It may be noted that ESA currently is considering whether the exploration refund system represents a breach to the EU/EEA state subsidy rules. Under any circumstances the exploration refund system may come under increasing pressure, but no changes are expected near term.

Subordinated liability for the seller for future decommissioning

In 2009, a new section 5-3 (3) in the Petroleum Law was introduced giving a seller of a license share (i.e. direct license transfer) subordinated liability for future decommissioning costs towards the other license partners if the buyer cannot cover his share.

As of 2017, the Ministry of Oil and Energy has introduced a subordinated decommissioning liability also for sellers of shares in an E&P company operating on the Norwegian Continental Shelf. Such a subordinated decommissioning liability for a seller of shares will, at the Ministry's discretion, be established as part of the conditions for approval of a share transfer. This extension of the subordinated liability raises a number of legal as well as tax issues.

2.20 Taxes and fees in the power sector

As for other industries, a tax of 23% is levied and paid to the State on profits earned by all power companies. In addition, certain sur-taxes are levied on hydro power plants with installed capacity above 10 000 kVA. One sur-tax is a profitability-independent natural resources tax of NOK 0.013/kWh paid to the municipal authority and the county authority is levied on large scale hydropower producers. Of this, NOK 0.011 is allocated to the municipal authority and NOK 0.002 to the county authority.

The calculation base for the tax on natural resource extraction is determined for each power station and is the average of the plant's total output of electricity in the income year and the six preceding years. The natural resource tax does not represent an additional financial burden to the companies, as it can be deducted from the income tax and, in the event of a difference, can be carried forward with interest.

A resource rent tax of 35.7% is also levied on large scale hydro power plant owners that achieve profits above the ordinary rate of return. The income base for calculation of the resource rent tax is the spot price for electricity. However, there are some exemptions for hydropower delivered according to concession, hydropower delivered on specified long term agreements, including agreements entered into before 1996, and hydropower used in the taxpayer's own industrial operations. Under these exceptions the spot price is not used. All costs related to hydropower production may be deducted from the basis for the resource rent tax. Normal profits are shielded from resource rent tax through a lift up rate. For 2017, this rate is 0.4% of annual average tax values.

The municipal authorities can also levy a property tax on the hydro power plant. For plants with installed capacity above 10 000 kVA this is calculated primarily on a profitability basis intended to reflect the market value of the property. However, the property tax basis cannot exceed 2.74 øre/kWH, and can be no less than 0.95 øre/kWH, based on 7 years average production.

For small scale hydro plants, installed capacity <10 000 kVA, the property tax base equals the tax values.

Property tax can also be levied on the distribution system.

Licence fees represent compensation for damage caused to districts in which hydro power resources are exploited. They are also an instrument for allowing rural areas to share in the financial return on hydropower development. The licensing authority is entitled to adjust the licence fee every five years.

A law on "el-certificates" entered into force 1 January 2012. The regime established a Swedish-Norwegian market for el-certificates. The new law makes provisions for the granting of certificates to certain producers of renewable energy, while requiring the electricity suppliers to purchase the certificates from the producers.

The new rules aim to encourage the production of renewable energy, by giving the favoured producers an additional source of income by way of the certificates.

2.21 Tonnage tax

In the Norwegian tonnage tax regime there is a final tax exemption for shipping revenues. The tax exemption includes operating profits and gains on sales, however, net financial income will be taxed at the ordinary tax rate of 23%. Income derived from tax exempt shipping activities can be distributed as a dividend without any further taxation for the tonnage taxed company.

In order to qualify for the Norwegian tonnage tax regime, certain requirements are set out. In practice only Norwegian limited liability companies may qualify, or an EU/EEA based company with a qualifying branch in Norway. Tonnage taxed companies can principally not engage in any business other than charter and operation of owned and/or chartered vessels. In addition to the core business of operation and chartering of vessels, the qualifying company can only engage in activities closely associated with the marine transport business. Shipping companies must, as a minimum requirement, own one qualifying vessel, directly or through a chain of companies with at least 3% ownership at each level in the underlying chain of companies. Offshore drilling rigs and Floating Production Storage Offloading (FPSO) vessels are not considered as qualifying assets under the tonnage tax regime.

Contrary to many European tonnage tax regimes, there is no requirement to have strategic and commercial management in Norway, no required ratio of owned versus chartered vessels and no restrictions on bareboat out of vessels. However, pure management companies may not be eligible and there is a requirement of a separate company for the business that is employing the tonnage tax regime.

As a starting point there are no flagging requirements under the Norwegian tonnage tax regime. However, in years where it is a decrease in the average of the total EU/EEA registered tonnage within the Norwegian tonnage tax regime a flagging requirement applies. The flag requirement entails that a qualifying company must maintain or increase its share of owned vessels with EU/EEA flag compared to the share at the time the flag requirement was introduced (1 July 2005) or, if later, the time the company entered into the tonnage tax regime. An exemption applies as long as the qualifying company has at least 60% of its fleet registered within the EU/EEA

Norwegian tonnage taxed companies are obliged to pay an annual, moderate tonnage tax, based on the net registered tonnage. The tonnage tax is levied as an object tax at the following rates:

The rates of tonnage tax per 1,000 tonnes are (per day):

First 1,000	NOK 0
1,000 – 10,000	NOK 18
10,000 – 25,000	NOK 12
25,000 or more	NOK 6

A reduction is available for certain certified environmental vessels.

3. Branches/permanent establishments in Norway

3.1 Overview

All foreign enterprises (hereunder sole proprietorships) that carry out business in Norway or on the Norwegian continental shelf are obliged to formally register with the Norwegian authorities. The duty to register is independent of any tax liability to Norway. A foreign enterprise may therefore be required to register even if exempt from tax due to tax treaty protection.

An enterprise must additionally register for VAT if it is engaged in trade subject to VAT in Norway.

3.2 Tax liability under domestic law and permanent establishment

Under domestic law an enterprise is liable for Norwegian income tax when carrying out business in Norway or on the Norwegian Continental Shelf. An entity is deemed to carry out business if its activities are of an economic character to some extent and duration. A branch will generally be taxed as if it was a Norwegian tax resident company (see section 3.3).

There is a domestic basis to tax income that a foreign entity/ person derives from immovable or movable property situated in Norway. There is, however, an exception for passive lease income, e.g. bareboat charter income.

If an applicable tax treaty is in place, business profits are exempt tax unless attributable to a permanent establishment. Most Norwegian tax treaties are based on the OECD model convention.

Under the tax treaties a permanent establishment is constituted under the basic rule if the enterprise has a fixed place through which the enterprise carries on its business. The expression "fixed place of business" is applied loosely and may apply to e.g. a home office or a site of recurrent use by the enterprise. As a rule of thumb, a place of business will be considered to have the required permanence and be "fixed" if it lasts for more than six months.

A building site or construction or installation project will usually qualify as a permanent establishment if it lasts for more than twelve months. Some tax treaties include supervisory or consultancy activities connected with such activities. For treaties based on the UN model convention, a period of six months will usually satisfy the criterion.

A dependent agent that acts on behalf of the enterprise and has, and habitually exercises, an authority to conclude contracts on behalf of the enterprise may also constitute a permanent establishment.

Unlike the OECD and UN model conventions, most tax treaties entered into after 1965 contain specific articles on activities connected to the exploration or exploitation of the seabed and subsoil and their natural resources. Such activities will usually constitute a permanent establishment if they are carried on for a period exceeding 30 days in the aggregate in any twelve month period.

3.3 Branch versus subsidiary

Both limited companies and branches must formally register with the authorities. Further, both branches and limited companies must register with the local tax authority and submit an annual tax return if they are liable to tax in Norway. Branches of foreign companies and limited companies established in Norway are both taxed under the rules applicable to corporations (corporate income tax) and at the same rate. There is no separate branch profit tax.

Both kinds of entities must register for VAT if they are engaged in trade subject to VAT in Norway. The registration threshold is NOK 50,000.

An annual financial statement for a limited company incorporated in Norway as well as those of branches of foreign companies, must be sent to the Registry of Accounts within one month after the board of directors has signed it.

There are no restrictions under Norwegian law as to the amounts that may be transferred from a branch to the parent company abroad (profit remittance). Further, there is no applicable branch withholding tax. Exit taxes may be levied if assets/liabilities are moved from Norwegian tax jurisdiction.

For limited companies, distributable equity may be limited by the Limited Companies Act. Foreign shareholders outside the EEA are subject to a dividend withholding tax of 25%, unless a double tax convention provides for a reduced withholding rate. Distributions to foreign shareholders within the EEA are exempt dividend withholding tax pursuant to the domestic participation exemption (see section 2.6 and 6).

There are no specific regulations, except for rules regarding reorganisations with tax continuity, making it generally more beneficial to carry on business through a limited company rather than a branch.

3.4 Formal requirements and procedures

Most branches will be required to register with the Register of Business Enterprises. Registration is subject to a fee.

In addition to various information regarding the enterprise and the branch, the following documents must be enclosed upon registration:

- memorandum of association/articles of association;
- records from a competent body showing the submitted information;

- proof of registration from a foreign business register;
- records from a competent body of the enterprise, showing a decision to form a branch in Norway;
- if the submittal is only signed by the Board of Directors or the general manager elected/appointed specifically for the enter- prise in Norway, records must be enclosed from a competent body showing the election/appointment;
- declaration of intent from newly appointed members of the board who have not signed the submittal (if applicable);
- declaration from Norwegian representative that he/she has undertaken the assignment (if applicable)

Documentation must be provided in Norwegian, Danish, Swedish or English.

3.5 Accounting and auditing

Most branches are required to prepare and file financial accounts. The requirement will usually apply even if the branch is not liable to pay tax pursuant to a tax treaty.

The Norwegian financial and fiscal year is equal to the calendar year. A branch may apply an alternative financial year in order for its financial year to match that of its head-office. The reporting currency of the annual accounts is Norwegian kroner or the currency to which the undertaking is most closely related (functional currency).

The accounts must be approved by the Board of Directors of the head office each year. Once approved, the accounts must be signed by the Board and the managing director.

The accounts must be approved within six months after the end of the fiscal year and be filed within one or two months after the approval (paper or electronic filing, respectively). The head office's accounts must also be filed, at latest at the time these accounts are published in the company's resident country.

The year after the branch's annual revenue exceeds 5 million NOK, the accounts must be audited by a Norwegian auditor.

3.6 Sale and liquidation

The sale of a permanent establishment will be deemed as an asset sale and be subject to tax on any capital gains.

A branch cannot be liquidated in itself, as it is not a separate legal entity. De-registration of the branch is not considered a liquidation. If assets and/or liabilities are removed from Norwegian tax jurisdiction, e.g. in connection with de-registration or cessation of activities in Norway, the removal may trigger exit taxation of unrealised gains (see section 2.18).

If the company itself (head-office) is liquidated, the assets and liabilities of the permanent establishment will be considered realised at fair market value for tax purposes and subject to tax on any gains.

3.7 Foreign general insurance companies

Foreign general insurance companies may be taxed on deemed profits equal to:

a. 3% of gross premiums accruing to the company from its business in Norway in the fiscal year and

b. The amount of value of the immovable property owned by the company in Norway exceeding ten times the deemed profits from the insurance premiums.

These rules apply only to the profits from the insurance business carried on by the company. Other income or capital gains are chargeable to tax under the regular rules for corporation tax.

Foreign companies resident in a country with which Norway has concluded a tax treaty containing a non-discrimination clause, may elect whether to be taxed on this basis or under normal rules, depending on what provides for the lowest tax cost.

Foreign general insurance companies are generally liable to a wealth tax. The basis for the wealth tax is calculated as ten times the annual income, unless the value of the company's real estate or plant within Norway, less debt, is a larger amount.

3.8 Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)

As part of the OECD/G20 countries' project addressing Base Erosion and Profit Shifting (BEPS), the object of MLI to implement tax treaty related measures would also effect the constitution of permanent establishments.

Norway signed the MLI June 2017, however the department of finance is still to provide its final standing concerning the tax treaty related measures to be submitted. A proposition is expected to be sent on hearing within 2018, and be effective from 2019.

With reference to the above listed terms of constituting a permanent establishment in Norway, MLI is set to strengthen the definition of permanent establishment as in lower the threshold level for when a non-resident company is considered as having a permanent establishment in the state where the activities is carried out. Thus, prevent artificial avoidance of permanent establishment status through commissionaire arrangements and similar strategies. As an example, the use of dependent agents not formally (but in reality) acting on behalf of a non-resident company, may as a result qualify as a permanent establishment.

4. Individual taxation

4.1 Overview

Resident taxpayers are subject to tax on their worldwide income and capital gains. Resident taxpayers are also subject to net wealth tax on their worldwide assets, provided that they are resident in Norway on 31 December in the income year. Non- residents are subject to tax on income from Norwegian sources and on capital gains only when they carry out business in Norway and the gain is attributable to that business.

4.2 Residence

Individuals are regarded as tax residents of Norway when they have stayed in Norway for more than 183 days during any 12 month period, or 270 days during any 36 month period. To be regarded as emigrated from Norway, an individual who has had a combined stay in Norway for less than 10 years must take permanent residency outside of Norway. The taxpayer or his/her closest relatives must not have a residency used as a home at their disposal in Norway or stay for more than 61 days in Norway during the income year. All of the conditions must be fulfilled during an income year if the taxpayer is to be considered emigrated from Norway.

The same conditions apply if the individual has had a combined stay in Norway exceeding 10 years. In addition, all of the conditions must be fulfilled the following three years after the year the individual actually moved from Norway, before the taxpayer is regarded as emigrated from Norway.

4.3 Deadline for submission of tax returns

Individuals' tax returns are due no later than 30 April in the year after the income year. For individuals assessed by the Central Office of Foreign Tax Affairs (COFTA), the deadline is 30 April the year after the income year. For sole traders, the deadline to file tax returns is 31 May if filed electronically, in the year after the income year.

4.4 Income liable to tax

Income tax is levied on taxable net income (ordinary income), which is gross income less allowable deductions. In addition, a surtax (or top-tax) is levied on gross earned income above a certain level (see section 4.13).

4.5 Sole traders

Taxable income for a sole trader is generally established according to the rules that apply to companies. In addition, the gross income of the trade is subject to surtax and social security contributions. The gross income related to the personal income of individuals engaged in a business is generally calculated by eliminating any income or loss from capital from the total income of the business or entity.

If the calculated gross income is negative, the negative income can be carried forward towards positive calculated gross income for later years.

4.6 Employee share option plan

For all options granted after 1 January 2002, there is no tax at grant, even if the exercise price is less than the market value of the shares at grant. For options granted prior to this date, tax may have crystallised at grant depending upon the grant date and whether the options were traded on a stock exchange. There is no tax triggered at vesting.

There will be a charge of income tax when the participant exercises the option. The taxable benefit, i.e. the difference between the market value of the underlying share at exercise and the exercise price, less any price paid by the employee at grant, is subject to income tax and social security (employer and employee).

In order to determine the actual amount of tax and social security due, the taxable amount may be allocated equally to each year between grant, and exercise and the marginal rates applicable in those years apply. This rule may also be applied when calculating employer's social security. The employer and/or the employee must make a request to the tax authorities for such an allocation. There are transitional rules for options that have been subject to tax at grant, the effect being to take such tax into account when calculating the liability at exercise. If employee decides to sell the acquired shares or in any other way fulfils a taxable realisation of the shares, any gain on the realisation of the shares will be taxable as capital gain at a rate of 23% under a modified classical system.

4.7 Employee share purchase plan

There is no tax at eligibility. However, at acquisition, the employee will be taxed on the difference between the fair market value of the shares at the time of acquisition, less the acquisition price paid by the employee. This will be subject also to social security (employer and employee) as employment income. A tax free amount of maximum NOK 1,500 may be available where the plan is made accessible to all employees as a general offer by the employer or the parent company, provided that the parent company owns more than 90% of the voting rights of the employer company. Dividends in excess of a risk free interest on the tax base cost of shareholders are taxed at a standard rate of 23% (see section 4.10). Please note that dividends are subject to an upwards adjustment factor of 1.33 (2018) giving an actual taxation rate of 30.59%. If the employee decides to sell the shares; capital gains are taxed under a modified classical system at a rate of 23% with an upwards adjustment factor of 1.33, giving an actual taxation rate of 30.59%.

4.8 Exit tax

On emigration from Norway, the increase in value of the shares etc. while the shareholder was living in Norway is taxable. This only applies to deemed gains in excess of NOK 500,000. The tax liability is annulled if the shares are not realised within five years after the tax residency is terminated, or if the taxpayer once again becomes resident in Norway before realisation. Note that a tax treaty may limit Norway's right to tax the gain. The rules are complex, and advice from professionals is recommended if you are in an exit-tax position.

4.9 Deductions

All expenses incurred for the purpose of earning or securing income are deductible. However, taxpayers with earned income may elect to claim a so-called minimum deduction rather than claiming for itemized expenses. The deduction is limited upwards to NOK 97,610 for the income year of 2018. There is an additional personal allowance in Finnmark and North Troms of NOK 15,500.

All employees are covered by compulsory tax favoured pension schemes and all self-employed may save within the same schemes. Individual pension agreement policies in existence prior to 2006 may be carried forward according to existing regulations, but without any new deductible payments. Under the pension scheme, an annual deduction with a maximum of NOK 40,000 may be granted. The retention balance is exempt from wealth tax and the return will not be subject to current taxation, but will be taxed when the pension benefit is paid out. The pension benefits will be taxed as taxable income.

Foreign resident personnel entering Norway may claim a special deduction called the standard deduction, which constitutes 10% of gross income in addition to the aforementioned minimum deduction limited upwards to NOK 40,000 each year. However, this deduction is only available for the first two tax assessments as tax resident in Norway. If the foreigner never becomes tax resident; only establishing a limited tax liability to Norway, there are no limitations on the number of assessments to which the deduction can be applied. The standard deduction is supposed to replace a range of other itemized deductions that Norwegian residents normally may claim, e.g. kindergarten fees, union fees, travel fees, paid interests etc. Note that it is only beneficial to claim the standard deduction if this exceeds the other itemized deductions.

Personal allowance is granted at NOK 54,750. In addition, an allowance for documentable childcare expenses is given at a maximum of NOK 25,000 for the first child and limited upwards to another NOK 15,000 per child for additional children.

Certain taxpayers on low incomes are exempt from tax or may have their tax liability reduced.

4.10 Exempt income

Exempt income includes certain termination payments from employers, made within the framework of collective wage agreements as well as any payments of NOK 1,000 or less from any employer in the course of the income year. Child support from the government and a number of benefit payments from the social security system are also exempt from taxation.

4.11 Economic double taxation of dividends and distributions from partnerships

Individual taxpayers pay tax on dividends and gains from their shares. An amount equal to a deemed risk free interest of the capital invested (tax base cost) is exempt from tax.

The basis for calculating the risk-free interest rate is the annual average interest rate on treasury bills with a three-month term, as published by Norges Bank. For 2017, it was 0.40 percent. Adjusted downwards by 24 percent (the rate for income tax 2017) and rounded to the nearest 0.1 percentage point, the risk-free interest rate for the 2017 income year is set to 0.7 percent (the risk-free interest rate for 2018 is not set until January 2019).

The regime is applicable to all investments in shares both in Norway and abroad and also applies to investments in CFCs (under a complicated technical formula). The tax free amount is assessed on each individual share, rather than on the portfolio.

Distributions and gains on an interest in a partnership are also taxable (see section 5.1). The taxable amount of distributions is reduced by 23% in order to take account of income tax on the partnership profits. Further an amount equal to a deemed risk free interest of the capital invested is exempt from tax.

The tax base cost for the purposes of the new tax regime is equal to the acquisition cost of each individual share or their interest in the partnership, adjusted for retained taxed profits allocated to that share prior to the introduction of the new tax regime and taxed profits for partnerships.

The combined tax on corporate profits and shareholders equals 46.6% under the regime. Unused tax-exempt amounts may be carried forward and set against future dividends/distributions or gains, but cannot be used against dividends and gains on other shares/interests. The unused tax exempt amounts cannot create a deductible loss.

4.12 Tax on interest for loans from individual shareholders to limited companies

There is an extra tax charge of 77% on the interest on loans from individuals to limited companies. It is only the part of the interest payment that exceeds the risk free interest on the loan that will be taxed, see above. This tax charge comes as an addition to the ordinary taxation of the interest. Thus, 177% of the relevant part of the interest is taxed.

4.13 Tax on loans from limited liabilities companies to individual shareholders

Loans and securities from limited companies to individual shareholders (directly or indirectly) are treated as a dividend for tax purposes.

4.14 Tax rates and payment dates

The aggregate of income tax comprises municipal, county and state taxes. In addition, taxpayers must pay social security contributions at rates depending on whether or not the taxpayer is employed or self-employed or whether he or she has other earned income. The first two taxes are based on ordinary income; the last two taxes are based on personal income. The taxpayers are divided into two classes:

Class 0	Applies to taxpayers with limited tax liability (i.e. taxpayers who are not considered residents of Norway and who do not receive income from regular employment) and also to companies and other organisations not considered as companies for tax purposes. Taxpayers in class 0 are liable to the ordinary income tax on their net income only
Class I	Applies to resident persons

Tax class 2 was abolished as of 1 January 2018. Single-parent families are given a special allowance to even out the change of tax class. The special allowance is up to NOK 51,804 per year.

Income tax rates (2018)

Net income, including investment income, is taxed at the flat ordinary income tax rate of 23%. For certain investment income, the rate is multiplied with 1.33, resulting in an effective tax rate of 30.59%.

Earned income, including employment income, pensions, certain business income for sole traders and participants in partnerships, the following rates of surtax apply on the gross income:

Nil	up to NOK 169,000
1.4%	above NOK 169,100 to 237,900
3.3%	above NOK 237,900 to 598,050
12.4%	above NOK 598,050 to 962,050
15.4%	above NOK 962,500

In Finnmark and certain municipalities in Troms, the 12.4% rate is replaced by a 10.4% rate. Social security contributions are applied to the same income (see chapter 9).

Income tax and social security contributions are withheld from most salaries and pensions. There are no payroll taxes in Norway. The employer is responsible for withholding and payment of income tax and social contributions on behalf the employees. The instalments are due on 15 March, 15 May, 15 July, 15 September, 15 November and 15 January.

On other kinds of income, including business income of the self employed, the taxpayer must make quarterly advance payments in the course of the income year. The installments are due on 15 March, 15 May, 15 September and 15 November.

A final payment of outstanding tax may be made by 31 May in the year following the income year.

- Interest, being the current interest, is calculated in cases of tax refund and tax arrears.
- For individual taxpayers, interest on tax refund is calculated from 1 July for the income year 2017 and up to the date the tax statement is sent from the Inland Revenue Service. Interest on tax arrears is calculated from 1 July for the income year 2017 and up to the due date of the first term of the tax arrears. For individual taxpayers, the first due date will be 20 August 2018 (income year 2017).
- For non-personal taxpayers, the basis for calculation of interest will be 15 March the year following the income year.

- The same rate will apply for interest credit and charged interest. The interest is calculated on the basis of Norges Bank's controlled interest rate ("styringsrente") as per 1 January in the tax year, but with a reduction of 23; that is 0.39% for 2017. The reduction is due to the fact that settlement rates shall not be considered as tax liable income as is the case for other types of interest. Charged interest in cases of tax arrears will not be a deductible expense for tax purposes.
- No interest on tax arrears will be charged if an additional advance payment of tax has been made before 31 May of the year after the income year.

4.15 Disability Benefits

As of 1 January 2015 the current disability pension was replaced by disability benefits. The most important change is that disability income will be taxed as income and not as a pension. Disability benefits will be higher to compensate for higher tax. The purpose of the change is to make it easier for those who are able to work to do so while receiving disability benefits

4.16 Fringe Benefits

Fringe benefits are, in general, subject to income tax and surtax. There are fixed rates determining the taxable amount for a number of benefits, such as home phones and company cars. The deemed rate of interest for beneficial loans from employers is set in advance for two-month periods by the Finance Ministry. The deemed rate of interest is 2.2% as of February 2018.

4.17 Other

A tax credit is given for annual savings on a designated bank account for the purpose of financing a taxpayer's first home. This relief is available only up to the age of 33 and is granted for 20% of the savings, with a maximum amount of savings of NOK 25,000 per year. The accumulated maximum saving is NOK 300,000 (2018).

5. Other legal entities

5.1 Partnerships

A partnership (ANS) is a company consisting of two or more partners carrying on business together and who are jointly and severally fully liable for the company's debt. Partnerships must be registered in the Companies Registry. A partnership may carry on business, acquire, hold and dispose of property and sue and be sued in the name of the firm.

A silent partnership (IS) exists where two or more partners are carrying on business together with joint and several liabilities, but the partnership as such does not act in relation to third parties. A silent partnership does not need to be registered in the Companies Registry.

A limited partnership (KS) consists of one or more general partners and one or more limited partners. The general partner is frequently a joint stock company (AS). A limited liability partnership must be registered in the Companies Registry.

Partnerships are considered transparent for tax purposes. Thus, the net profit or loss, as well as the net value of the assets is attributed to the individual partners in proportion to their part in the partnership or by some other means of attribution, depending on the method applied by the partners in the participation in profits.

As of January 2015, a simplified tax regime for partnerships was implemented. Limited partners are no longer able to deduct losses from limited partnerships against ordinary income from other sources. Such losses can however be carried forward and set against future income of the limited partnership or against a gain upon realisation.

For the silent partner in a silent partnership, the deductibility for losses is limited based on the investment of the individual partner.

A partnership must prepare the financial statement, but each partner declares his or her respective share of the net profit or loss as well as that partner's share of the net worth of the partnership, in the personal tax return, together with other income and wealth.

For individuals, income from a partnership is subject to double taxation. In addition to being taxed in respect of their net share of the profits, each individual partner also has to pay tax on distributions from the partnership. The additional tax is based on the distribution less the tax already charged on that share of the profits, as well as an amount equal to the risk free interest on the tax base cost on the partner's share of the partnership. A gain from sale of an interest in the partnership is taxable for the individual partner (see also section 4.10).

For corporate partners of partnerships an exemption system applies in the sense that distributions and gains on the sale of an interest in the partnership are exempt

from tax, except for 3% of the exempt distributions which will be added back and taxed at 23% (effectively 0.69%). The current profits, however, are taxable. The exemption method applies to qualifying investments made by the partnership (see section 2.6).

For VAT and other trade tax purposes, partnerships and sole traders are generally subject to tax directly in the same way as corporations.

Foreign partnerships with Norwegian investors must be registered by their Norwegian investor and submit tax returns in Norway. The Norwegian investor is taxed as if the partnership was a Norwegian partnership.

The Norwegian exit rules also apply to participations in partnerships (see section 2.18).

5.2 Trusts

Trusts may not be formed under Norwegian law. Generally, trusts formed under the law of another jurisdiction would be recognised for tax purposes and would be regarded as being a separate taxable entity. Beneficiaries resident in Norway may be liable to tax on the income under the CFC-regime if the trust is resident in a low tax jurisdiction. Beneficiaries may also be subject to net wealth tax on the value of the trust assets.

5.3 Unit Trust

A unit trust may not be formed under Norwegian law. There is no practice as to the taxation of such entities, or indeed as to the taxation of the unit-holders.

5.4 Mutual Funds

Open or closed ended mutual funds are organised in Norway as a "verdipapirfond" (securities fund). They may be either accumulating or distributing funds. A securities fund may invest in shares, bonds or in a mix of securities. There are no restrictions on the percentage of units in the fund that may be held by one person or a group of persons. However, a standard Norwegian securities fund must be open to an unlimited range of investors. The Norwegian Securities Funds Act is compliant with the UCITS directives, but also allows for deviations ("national funds" and "special funds").

A securities fund is both a legal entity and a separate taxable entity. As of 1 January 2016 special rules on the taxation of investment funds have been amended. Capital gains on shares and units in companies' resident outside of the EEA are exempt from tax in the hands of the investment fund. For investments within the EEA, the exemption method applies (see section 2.6). The investment fund may deduct dividends distributed to the unit holders, provided the dividend does not exceed the net profit.

Taxation of the unit holder is dependent on the classification of income from the fund. The classification is defined as follows:

- Distributions from investment funds with more than 80% share interest will be classified as dividend distributions;
- Distributions from investments funds with less than 20% share interest will be classified as interest income:
- Distributions from investments funds with a share interest between 20% and 80% are split between dividend and interest income

Investments classified as shares include only directly held shares. Derivatives are treated as other securities. The fund's cash holdings are excluded from the allocation of shares and other securities than shares.

The portion of shares in the fund is determined at the start of the income year. For funds registered during an income year, the share portion is calculated at year-end. Although not stated in the preparatory work, we assume that the same applies for investments in underlying funds.

Distributions classified as dividend distributions are subject to withholding tax at the domestic rate of 25%. Non-resident corporate unit holder's resident within the EEA may however be exempt from withholding tax provided that the recipient is genuinely established in, and perform real economic activity in, its country of incorporation. The withholding tax rate may also be reduced under double tax treaties.

Norwegian registered funds are obliged to report information to the tax authorities annually to determine the portion of share interest in the fund at year-end. Non-resident funds may however also provide information to the tax authorities. If the fund does not provide sufficient information on the portion of share interest, the taxpayer may also provide this information.

If no information is provided by the fund, distributions will be treated as interest for tax purposes. If documentation only is missing on investments in an underlying fund, the investment will be treated as other securities than shares. A simplified rule exists for investments in underlying funds where the total investment in underlying funds is below 25% of the total investment at the start of the fiscal year, provided that no information is provided by the fund. If documentation is reported by the underlying fund, the general allocation rule applies.

6. Withholding Taxes

6.1 Dividends

Withholding tax is levied on dividend payments made to non-resident shareholders at a rate of 25%, unless a lower rate is provided for by a double tax treaty. A number of double tax treaties provide for no or very low withholding taxes for substantial holdings.

Dividends paid to corporate shareholders resident in the EEA are exempt from withholding tax under the exemption method. However, in order to qualify for an exemption the shareholder must fulfil a substance requirement. The exemption method will, thus, only apply if the company is genuinely established and performs real economic activity in the relevant country. The fulfilment of this criterion is based on the particular facts and circumstances where a key factor is whether the foreign entity is established in a similar way as an equivalent to a Norwegian company. Shareholders resident outside the EEA are not comprised by the exemption method.

With effect form 2019, new rules will apply concerning the documentation requirements and approval process for obtaining partial relief or a full exemption "at source" for the withholding tax on dividends.

In general and subject to VPS-registered shares (VPS as in the Norwegian central securities depository), the new rules require the account operator/custodian to receive and retain certain documentation in order to enter the shareholder/investor to a reduced rate account. The documentation requirements also apply for dividend-distributing companies in relation to shares not registered in VPS.

Documentation requirements differ, but non-individual shareholders will be required to provide, among other items, a copy of a decision of a previous withholding tax refund or a pre-approval decision from the Norwegian tax authorities as well as a valid certificate of residence.

The new documentation requirements also apply for shareholders already registered with reduced withholding tax rate accounts. Beginning in 2019, relief from withholding tax at source, thus, will effectively not be available unless the documentation is provided. If a refund decision has not previously been obtained, the shareholder must apply for pre-approval.

6.2 Case law

KPMG Norway has successfully argued that German Investment Funds and Luxembourg FCPs are comprised by the Norwegian tax exemption method and are thus entitled to a refund of withholding tax.

KPMG Norway has also successfully assisted other entities, including pension funds, investment funds, and life insurance companies with obtaining a refund. Also, UK OEIC, UK Authorised Unit Trust and SICAV funds based in Luxembourg are comprised by the exemption method.

There is no standard application for a refund of withholding tax in Norway. The Central office for Foreign Tax Affairs (COFTA) has, however, issued a document outlining the document requirements in detail. In short, the claimant must provide COFTA with, amongst other, a description of the fund, an original certificate of residency for all fiscal years and an overview of dividends received and withholding tax levied supported by dividend vouchers.

Starting from 2017, the tax authorities' preferred filing method for refund claims will be electronic filing through Altinn, a government web portal for electronic filing and exchange between the business/industry sector, citizens and government agencies.

6.3 Statutory limitation

Previously, a one-year statutory of limitation applied for withholding tax refund claims, with the one-year period starting 1 January of the year following the year in which the dividend distribution was made. In practice, the tax authorities applied a three-year period. However, from January 2017, withholding tax refund claims are to be filed within a five-year period. The five-year period is calculated from 31 December of the year in which the dividend payment was paid.

Accordingly, under the new rules, refund claims concerning tax withheld from dividends paid out in year 2013 should be filed within 31 December 2018.

6.4 Interest and royalties

There is no withholding tax on interest or royalties. The Tax Commission's 2014 report on tax reform recommended that withholding taxes need to be implemented and applied on interest and royalty payments. These recommendations were not proposed in the 2018 Budget, but the government's white paper proposal for tax reform maintains that withholding taxes need to be reviewed in more detail, including withholding taxes on lease payments. It is expected that the Ministry of Finance will prepare a discussion paper for public consultation.

7. Indirect Taxes

7.1 Overview

The Norwegian VAT regime is almost similar to the VAT regime implemented in the European Union.

Only food products mentioned in chapter 1 – 24 in the Norwegian Tariff and some textile products mentioned in chapter 61 – 63 in the Norwegian Custom Tariff are subject to custom duties. Products mentioned and covered by the EEA–Agreement, other free trade agreements and the Norwegian GSP-system may be exempt from custom duties. For food products, also other arrangements for suspension or quotas of custom duties exist.

Excise duties will be levied on a various range of products such as vehicles, energy, alcohol beverages and tobacco. There are no stamp duties on transactions other than transfer of immovable property. Norway does not levy any capital duty. Minor fees may be charged for certain public facilities and services.

7.2 VAT

VAT was introduced in 1970 and applies today on domestic sales of most goods and services. The registration threshold is NOK 50,000 for businesses.

Tax is charged at all stages, including on import and purchases from abroad regarding services capable of delivery from a remote location (remote services), except if an exemption is established. The standard rate of VAT is 25%, and a reduced rate of 15% applies to food products. A further reduced rate of 12% applies to public transportation services, hotel lodging, certain broadcasting charges and admission to cinema shows, museums, amusement parks etc. and sporting events. Admission to theatres, opera, concerts etc. is outside the scope of the VAT.

The current VAT Act entered into force from 1 January 2010. The taxable base is as a main rule the net sales price of taxable goods and services excluding VAT. All costs incurred to complete the sale, such as packaging, freight, insurance, customs duties, etc., shall be included in the tax base.

Financial services, educational services, healthcare and social services are examples of services that are outside the scope of the VAT Act.

Furthermore, the transfer and letting of real estate is outside the scope of the VAT Act. However, a lessor of real estate may voluntarily register for VAT purposes when meeting certain conditions.

Export sales, the transfer of certain vessels and platforms used in oil and gas production, transfer of business are examples of supplies that are VAT zero-rated (i.e. 0% VAT).

A registered business is entitled to deduct input tax from the output tax on goods and services that are relevant for use in the taxable business. If the input tax exceeds the output tax, the tax authorities give a refund. The VAT Act also contains regulations that exclude deduction of input tax related to purchases of certain items such as personnel vehicles, work of art and antiques, catering, restaurants and entertainments. Other costs such as travel costs and mobile phone costs may be partially deductible due to an element of private use.

Similar to Norwegian companies, foreign companies engaging in sales of goods and services that are not considered to represent remote services are subject to VAT and registration in Norway. If a foreign company has no fixed place of business or any permanent establishment in Norway, it must be registered through a VAT representative who is either resident in Norway or has a fixed place of business there. The representative must keep a separate account for the foreign enterprise's business office in Norway. As a main rule, both the representative and the foreign company are responsible for the calculation and payment of tax. This is, however waived for non-established businesses domiciled in states with which Norway has concluded mutual and administrative assistance agreements. From 1 April 2017, businesses from such states are also not obliged to register with a representative.

Norway has today concluded mutual and administrative assistance agreements with the following states: Belgium, Denmark, Finland, France, Germany, Iceland, Italy, the Netherlands, Poland, Portugal, Slovenia, Spain, Sweden, Great Britain, Czech Republic, Bulgaria, Estonia, the Faroe Islands, Greenland, Greece, Croatia, Cyprus, Latvia, Lithuania, Romania, Slovakia, Hungary and Malta.

Foreign companies shall not register for VAT in Norway when supplying remote services to Norwegian business customers. The VAT will be reported by the customer in such cases (reverse charge). Foreign companies supplying electronic services to private persons in Norway are however liable to perform a simplified VAT registration (the VOES scheme).

7.3 VAT on imports

With effect from 1 January 2017, import VAT is to be calculated using a reverse charge mechanism. For VAT registered businesses, the import VAT shall no longer be declared in the customs declaration at the point of import. Instead, import VAT is determined in the same way as for domestic VAT.

Import VAT is calculated on the basis of the customs value of goods. The accounting department will have a key position regarding calculation and reporting the import

VAT, as it is necessary to keep tabs on the total value of imports taken into Norway during a given period. This sum is to be reported on the VAT return and forms the basis of the reverse charge calculation.

Generally, the VAT basis will correspond to the statistical value (column 46 in the customs declaration) plus any duties and tax, although there are exceptions. These exceptions are:

- When re-importing after processing abroad, for example raw material processing.
- When importing works of art, collectibles and antiquities.
- When importing dental-technical products.
- Re-importation following repair/free repair of objects.

The import VAT charged shall no longer be reported on the duty deferment account (customs credit), and companies with VAT deductions will be able to claim deductions immediately.

All imported goods shall still be reported, presented and declared to the customs authorities. Customs and excise duties shall, as a general rule, be stated in the customs declaration. Duties and excises are still payable upon import.

For imported goods to companies and organisations that are not registered in the VAT Register, and for individuals, all import VAT shall be calculated and paid at the time of importation to the Customs Authorities. Norwegian Customs will collect the VAT on behalf of the Norwegian Tax Administration.

7.4 Excise Duties

Excise duties are adopted, similar as value added tax and other taxes, by Parliament pursuant to Section 75 A in the Norwegian Constitution. This is done through the annual tax decisions (plenary decisions) that specify which products to be payable, and at what rates. Plenary resolution also specifies which products and which users that are exempt from tax and which should be imposed for reduced tax rates. In addition to the plenary decisions, the Act related to excises and Regulation related to special taxes will apply. (Act of 19 May 1933 no. 11 concerning Excise Duties and Regulations of 11 December 2001 no. 1451 on Excise Duties).

Today excises have, amongst others, been introduced on alcoholic beverages, tobacco products, vehicles, energy products (petrol, gas, mineral products, emission of NOx and CO2).

Unlike VAT, where tax applies to all parts of the supply chain, the excise duties are limited to the first distribution stage (manufacturer or importers). Products that are subject to an excise duty mean products that have been imported into or manufactured in this country and encompassed by an excise duty resolution enacted by Parliament ("Stortinget"). Production means any and all processing - including packaging, repackaging or assembly – resulting in the product being subject to taxation, such as an excise duty, or if the product changes its tax status. Registered undertakings shall as a main rule file a monthly excise duty return specific to these duties with the Customs Region, by the 18th of the following month (the deadline for filing such returns). A return shall be filed even if no excise duty is collectable for the period (zero return).

7.5 Stamp Duties

The registration of transactions in immovable property in the Land Registry attracts an ad valorem stamp duty of 2.5%. There are no other stamp duties in Norway.

7.6 Financial activity tax

Effective from 1 January 2017, a financial activity tax has been introduced on the financial sector wage base at a rate of 5%. The financial activity tax is intended to tax the value added during the provision of financial services, which are currently outside the scope of VAT. The financial activity tax base includes all companies having employees who exercise activities within the area of industry sector K - "Financial and insurance activities", according to the classifications used by the Central Bureau of Statistics. Companies with no employees would therefore not be subject to the tax. Further exemptions include:

- Companies that have less than 30% of payroll expenses related to industry "K activities"
- Companies whose VAT-able "K activities" exceed 70%
- Financial institutions that exercise "important" socioeconomic duties not considered an economic activity based on EEA rules

In addition to tax levied on the wage base, companies with activities in this sector will remain subject to a CIT rate of 25%, while the tax rate for other lines of business is reduced to 23%.

8. Property Taxes

Local municipal authorities may levy a property tax. The tax varies between 0.2 to 0.7% of the taxable fiscal value of the property. It is the fair market value, based on objective criterias, that is the basis for the property tax. For residential property the property tax may be levied on the wealth tax basis. Each municipality is free to decide whether or not to levy property tax. From 2011, the municipalities have the option to tax business premises only.

As of 2019 machines and equipment will no longer be allowed to be part of the fair market value calculation that is the basis for property tax for businesses. This change will apply to all industry facilities, except hydro power plants, wind farms, transmission grid and petroleum-installations.

9. Social security contribution

9.1 Employers' social security contribution

Employers' social security contributions are charged on all remuneration paid in cash or in kind to employees, including remuneration in respect of work performed abroad. The obligation does not apply to payments made to self-employed persons. The tax rates are determined annually by the Parliament. The tax rates range from 0% to 14.1%. The rates are initially differentiated by region based on the tax municipality of the employer, and regardless of the location of the employees. However, for the hire out of labour business, the places where the hired out labours are working determine the social security contribution rate.

An employer resident abroad is required to pay social security contributions in respect of employees working in Norway, subject to the possible exemption under social security treaties.

9.2 Employee social security contribution

Social security contributions are levied on gross earned income. The first NOK 54,650 of a taxpayer's income is exempt from the charge and the contributions may not exceed 25% of income above that amount.

Social security contributions:

Salaries	8.2%
Business income	11.4%
Pensions	5.1%

10. Wealth/Net Assets Tax

10.1 Wealth Tax

Resident individual taxpayers are also subject to net wealth tax on their worldwide assets, provided they are residents from 1 January in the relevant fiscal year. The tax is levied on property owned by the taxpayer wherever situated. Non-resident taxpayers are only subject to net wealth tax on certain properties in Norway, generally on assets connected to a business carried out in Norway through a permanent establishment or fixed place of business. The net wealth tax for limited companies was abolished from 1992. Other corporations pay a state net wealth tax of 0.3% and a municipal tax of 0.4%.

For the income year 2018, 80% of the market value of shares registered on the stock exchange has been entered into the shareholder's wealth tax base, whereas unlisted shares are valued based on the company's taxable wealth. The same 20% discount occurs also for other shares and parts in mutual funds.

Residential property is valued according to special rules based on a deemed market value for the district in which it is situated, reduced by certain factors. For the primary residency, the taxable value is 25% of the deemed market value. For secondary residences, the taxable value is 90% of the deemed market value in addition to debt financing.

Deductible debt will correspondent be reduced proportionally if the individual owns shares, parts in mutual funds and secondary residences.

A basic allowance of NOK 1,480,000 for single taxpayers and NOK 2,980,000 for married couples applies.

Business property is valued based on the deemed yield of the property.

The tax rates and thresholds for single taxpayers are (double amounts for married couples):

Municipal net wealth tax

nil	up to NOK 1,480,000
0.7%	above NOK 1,480,000

State net wealth tax

nil	up to NOK 1,480,000
0.7%	above NOK 1,480,000

10.2 Death, Gift and Inheritance Taxes

Gift and inheritance tax was abolished from 1 January 2014.

11. Incentives

11.1 Overview

There are few tax incentives in Norway. The exemption method opens for a sale of a business or assets as a tax exempt sale of shares. Furthermore, gains on sales of assets or a business may generally be deferred. The deferral depends on the type of asset (see section 2.4 and 2.5).

The issuance of electricity certificates is an economic subsidy scheme that will make it more remunerative to invest in power production based on renewable energy sources such as hydro, wind, solar and bio energy. The scheme is regulated by the Green Certificates Act.

Power plants that are included in the scheme receive electricity certificates that may be sold in the Norwegian-Swedish electricity market. Power suppliers and certain power users are required to purchase electricity certificates for a share of the electricity they sell or use.

11.2 Direct Tax Incentives

The tonnage tax regime (see section 2.22) is aimed at aiding the shipping business.

In addition, there is a beneficial capital allowances regime for the development of a large-scale plant for cold compression of natural gas in northern Norway.

Companies conducting research and development may be awarded a tax relief, provided that the research program has been approved by the Research Council of Norway. The tax deduction is under normal conditions limited to 18% of the company's R&D costs. The maximum basis for deductions is NOK 25 million. However, under specific conditions the tax deduction may be awarded with an amount corresponding to 20% of the company's R&D costs, with the maximum basis for deductions of NOK 50 million.

Employers' social security contributions (see section 9.1) range from 0% to 14.1% depending on where the employer is located.

11.3 Subsidies and Grants

To directly assist in establishing business in remote areas, a regional development fund has been established through which enterprises may obtain loans or grants for the establishment of businesses.

11.4 Other

In various regions of Norway there are public offices giving advice to newly established businesses. The scope may vary between municipalities.

12. Hybrid companies and financing

There are no special rules on hybrid companies or financing in Norway. Both hybrid companies and hybrid financing can occur.

Financial instruments must be analysed and classified in accordance with Norwegian law and court practice. The tax authorities might rely on the tax and accounting treatment in the other state, and the classification is based on an overall assessment, which makes it difficult to achieve hybrid financing.

Also companies must be analysed and classified in accordance with Norwegian law and court practice. There are some hybrid companies within the EEA; German K/G, Danish KS or UK Limited Partnership that can be treated as a limited liability company qualifying under the Norwegian exemption method, provided that the general partner is not considered a partner in the partnership under Norwegian law. There is also some practice regarding US LLCs which are transparent in the US, there is, however, a mutual agreement in place on US hybrid LLCs.

As an amendment to the exemption system, effective from 1 January 2016, Norwegian shareholders would be denied tax exemption in instance when the foreign distributing company is entitled a deduction for the distribution, typically because the payment is classified as interest in such jurisdiction.

12.1 Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

As part of the OECD/G20 countries' project addressing Base Erosion and Profit Shifting (BEPS), the object of MLI to implement tax treaty related measures would also effect hybrid mismatches arrangements (i.e. arrangements exploiting differences in the tax treatment of instruments, entities or transfers between two or more countries.)

Norway signed the MLI June 2017, however the department of finance is still to provide its final standing concerning the tax treaty related measures to be submitted. A proposition is expected to be sent on hearing within 2018, and be effective from 2019.

With reference to the above stated, MLI is set to effect the most common types of hybrid mismatch arrangements, hereunder transparent entities (article 3), dual resident entities (article 4) and to eliminate double taxation (article 5) and prevent unintended double non-taxation. Norway, in its preliminary position is set to implement hybrid mismatch rules in 28 tax treaties with some reservations.

13. Important dates and information on tax reassessments

13.1 Dates

For electronically delivered tax returns, the deadline is 31 May. For tax returns on paper, the deadline is 31 March. An extension of the deadline is possible upon application. The final tax assessment is issued four to six months after filing the tax return. The assessment notice shows the taxable profits and capital gains determined by the tax authorities and whether any tax is payable or a refund is due to the company. Taxes payable after the assessment are due in mid-November in the year after the fiscal year in question.

The Tax Office issues a preliminary assessment requiring an advance payment of tax based on an estimate of the company's income to be made in two instalments (on 15 February and 15 April in the year following the fiscal year). Corrections to the advance payments may be made by the company by 1 May, in order to avoid interest charges for underpayment of estimates.

Tax returns	
31 March	Deadline for paper filing of tax returns (companies and branches)
31 April	Deadline for paper filing of tax returns (self-employed)
31 April	Deadline for filing/correcting tax returns (employees and pensioners)
31 May	Deadline for electronic filing of tax returns (companies and self-employed)
31 May	Deadline to apply for postponed filing of tax returns (companies, branches and self-employed)
Advance tax payments (companies and branches)	
15 February	First instalment of advance tax payable
15 April	Second instalment of advance tax payable
Payroll and tax deduction statement	
21 January	Deadline for paper filing
31 January	Deadline for electronic filing

Delivery and payments after the above mentioned dates may cause late-filing penalties and interest penalties. Non-filing or incorrect filing of tax returns may give rise to penalty tax and an estimated tax assessment.

13.2 Tax reassessment

With effect from 1 January 2017 a new Tax Administration Act was introduced. The new Act introduced an amended statute of limitation for the tax authorities to open and reassess previous filed tax returns. Under the new rules the statute of limitation is, as a starting point, 5 years. However, in the event the taxpayer has intentionally or through gross negligence provided incorrect or insufficient information when submitting the tax return the statute of limitation is extended to 10 years (i.e. threshold for higher penalty tax).

Under the old rules, the statute of limitation was, as a starting point, 10 years. However, the 2 years statute of limitation was applicable provided that the taxpayer had provided complete and sufficient information in and to the tax return. The old rules should be applicable for the FYs prior to the effective date of the amendments - By way of example, FY 2015 may be open for reassessment today in the event the taxpayer did not provide complete and sufficient information in the tax return.

13.3 Penalty tax

Late delivery of tax returns gives rise to a penalty of 0.1% of net wealth. In addition, penalties include 0.2%, 1% or 2% of net income, depending on whether the returns are filed respectively 1, 2 or more than 3 months late. The tax authorities may also fine the taxpayer on a daily basis until the taxpayer is in compliance with regulations.

If tax returns are not filed, or filed with inaccurate or incorrect information such as omission of income or overstatement of deductions, the tax authorities may estimate the taxpayer's income (estimated tax assessment). Additionally, the tax authorities may levy penalty taxes on the amount of tax that was or potentially could be avoided. Penalty tax is in general levied at 20%. If the error is considered gross negligent or intentional, the penalty is increased with 20 or 40 percentage points. The increase is determined by an overall assessment of the taxpayer's blame, cooperation, prior misconduct and admission of guilt.

13.4 Tax reassessment and interest accrual

An increase in tax payable following a tax reassessment accrues interest from the year after the original tax assessment year to the date of final payment. The interest is intended to compensate for the taxpayer's liquidity advantage. The current interest rate is 1.5% (2018). The interest rate was 1.5% in 2017, 1.75% in 2016, 2.25% in 2015 and 2.5% in 2014. The interest rate is calculated by adding 1% to the Norwegian monetary interest rate on 1 January.

In addition to the interest payable on the reassessed tax an additional interest payment is levied, which is a onetime sum. The payment is currently calculated by adding the reassessed tax with an interest rate based on the Norwegian monetary interest rate 1 January the fiscal year the tax arose, reduced by 25%, over a period from 15 March until the final tax payment date (usually early in November).

A decrease in tax payable entails an interest credit. The current interest credit rate is 0.38%. The interest rate was 0.56% in 2015, 0.91% in 2014, 1.08% in 2013 and 1.08% in 2012.

14. Overview of WHT on outbound dividends under tax treaties

Outbound dividend rates

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Albania	15	5	The rate applies if the beneficial owner is a company holding at least 25% of the capital of the distributing company
Argentina	15	10	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Australia	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the voting power of the distributing company
Austria	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Azerbaijan	15	10	The rate applies if the beneficial owner is a company directly holding at least 30% of the capital of the distributing company, and has invested in Norway at least USD 100,000
Bangladesh	15	10	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Barbados	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Belgium	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company, for an uninterrupted period of 12 months minimum

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Benin	18	18	N/A
Bosnia and Herzegovina	15	15	N/A
Brazil	15	15	N/A
Bulgaria	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital in the distributing company
Canada	15	5	The rate applies if the recipient company owns at least 10% of the voting power of the distributing company
Chile	15	5	The rate applies if the beneficial owner is a company holding, directly or indirectly at least 25% of the voting power of the distributing company
China	15	15	N/A
Croatia	15	15	N/A
Cyprus	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Czech Republic	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Denmark	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Egypt	15	15	N/A
Estonia	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Faroe Islands	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Finland	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
France	15	0/5	The 0% rate applies if the beneficial owner directly holds at least 25% of the capital of the distributing company. The 5% rate applies if the beneficial owner directly or indirectly holds at least 10% of the capital
Gambia	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Georgia	10	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Germany	15	0	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Greece	20	20	N/A
Greenland	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Hungary	10	10	N/A
Iceland	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
India	10	10	N/A

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Indonesia	15	15	N/A
Ireland	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Israel	15	5	The rate applies if the beneficial owner is a company directly or indirectly holding at least 50% of the voting power of the distributing company.
Italy	15	15	N/A
Ivory Coast	15	15	N/A
Jamaica	15	15	N/A
Japan	15	5	The rate applies if the beneficial owner is a company that owns at least 25% of the voting shares of the distributing company during the period of six months immediately before the end of the accounting period for which the distribution of profits takes place
Kazakhstan	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital in the distributing company
Kenya	25	15	The rate applies if the beneficial owner is a company, which owns at least 25% of the voting shares of the distributing company during the period of six months immediately before the end of the accounting period for which the distribution of profits takes place
Korea, Republic of	15	15	N/A

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Latvia	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Lithuania	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Luxembourg	15	5	The rate applies if the recipient is a company holding at least 25% of the share capital of the distributing company
Macedonia	15	10	The rate applies if the beneficial owner is a company holding at least 25% of the capital of the distributing company
Malawi	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Malaysia	0	0	N/A
Malta	15	0	The rate applies if the beneficial owner is a company holding at least 10% of the capital of the distributing company during the period of 24 months immediately before the end of the accounting period for which the distribution of profits takes place
Mexico	15	0	The rate applies if the beneficial owner is a company directly holding 25% of the capital of the distributing company
Montenegro	15	15	N/A
Morocco	15	15	N/A

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Nepal	15	5/10	The 5% rate applies if the beneficial owner is a company directly holding at least 25% of the shares of the distributing company. The 10% rate applies when directly holding at least 10% of the shares
Netherlands	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Netherlands Antilles	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital in the distributing company
New Zealand	15	15	N/A
Pakistan	15	15	N/A
Philippines	25	15	The rate applies if the beneficial owner is a company directly or indirectly controlling at least 10% of the voting power of the distributing company
Poland	15	0	The rate applies if the beneficial owner is a company holding at least 10% of the capital of the distributing company during the period of 24 months (uninterrupted) immediately before the end of the accounting period for which the distribution of profits takes place
Portugal	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company uninterrupted for a period of 12 months, or during the lifetime of the distributing company if shorter than 12 months
Qatar	15	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Romania	10	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Russia	10	10	N/A
Senegal	16	16	N/A
Serbia	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% capital of the distributing company
Sierra Leone	5	0	The rate applies if the recipient company directly or indirectly controls at least 50% of the voting power of the distributing company
Singapore	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Slovak Republic	15	5	The rate applies if the recipient is a company directly holding at least 25% of the capital of the distributing company
Slovenia	15	0	The rate applies if the beneficial owner is a company directly holding at least 15% of the capital of the distributing company
South Africa	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Spain	15	10	The rate applies if the beneficial owner is a company directly or indirectly holding at least 25% of the capital of the distributing company
Sri Lanka	15	15	N/A

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Sweden	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Switzerland	15	0	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Tanzania	20	20	N/A
Thailand	15	10	The rate applies if the beneficial owner is a company holding at least 10% of the capital of the distributing company
Trinidad and Tobago	20	10	The rate applies if the recipient company controls, directly or indirectly, at least 25% of the voting power of the distributing company
Tunisia	20	20	N/A
Turkey	15	5	The rate applies if the beneficial owner is a company directly holding at least 20% of the capital in the distributing company, if the dividend income is exempt in the country of the beneficiary
Uganda	15	10	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Ukraine	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
United Kingdom	15	0	The rate applies if the recipient company directly or indirectly holding at least 10% of the distributing company
United States	15	15	N/A

Country	Standard rate (%)	Most favourable rate (%)	Conditions for most favourable rate / Other notes
Venezuela	10	5	The rate applies if the beneficial owner is a company directly holding at least 10% of the capital of the distributing company
Vietnam	15	5/10	The 5% rate applies if the beneficial owner is a company directly holding at least 70% of the share capital of the distributing company. The 10% rate applies if directly holding 25% of the share capital, but less than 70%
Zambia	15	5	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company
Zimbabwe	20	15	The rate applies if the beneficial owner is a company directly holding at least 25% of the capital of the distributing company

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