

**GUIDE TO
VALUE ADDED TAX IN NORWAY**

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1 Introduction

This Guide has been prepared to provide general information on VAT regulations in Norway for the use of foreign traders and their representatives and for tax authorities in other countries.

Norway introduced *Value Added Tax (VAT)* in 1970 through the Value Added Tax Act of June 19, 1969, hereafter called the VAT Act. A number of regulations have been established on the basis of the VAT Act. These regulations delimit, supplement and implement the provisions of the VAT Act. In addition, the Storting (the Norwegian parliament) decides the VAT rate for each year in the annual fiscal budget.

From July 1, 2001 Norway introduced a general VAT liability on the supply of services. The VAT Act now refers specifically to those services that are exempt from VAT liability.

The Norwegian VAT Act is largely based on the same principles as the EC VAT Directive 2006/112. However, since Norway is not a member of the EU, the VAT Act does not constitute an implementation of the directive.

2 General explanation of VAT

Value Added Tax is an indirect tax on the consumption on goods and services. As a rule, VAT is calculated at all stages of the supply chain and on the import of goods and services from abroad. The final consumer, who is not registered for VAT, absorbs VAT as part of the purchase price.

The terms “output tax” and “input tax” are key to the VAT system, and are explained as follows:

- *Output tax* is the VAT that is to be calculated and collected on the sale of goods and services. Output tax is charged on supplies of goods and services to other persons engaged in trade or business and to the ordinary consumer. Non-registered entrepreneurs are not permitted to calculate or indicate VAT in the sales document.

Output tax is also calculated when a taxable person transfers goods or services from his own business for personal use or for other purposes outside the scope of the VAT Act. (See subsection 4.4 in Section 4 “Withdrawal of goods and services”.)

- *Input tax* is the VAT that accrues on the purchase of taxable goods or services. Taxable persons receiving goods and services liable to VAT are entitled to deduct the VAT charged in their VAT accounts. For details concerning the scope of deduction, claims and the conditions that must be fulfilled in order to deduct VAT see Section 8 “Deductions and refunds”.

Even though VAT is calculated at all stages of the supply chain as far as the end consumer, this does not mean that VAT represents an expense for each individual stage. The VAT due at each stage of the supply chain amounts to the difference between output tax and input tax. This net VAT relates to the value added to the goods or services at the stage in question. Because taxable persons are entitled to deduct input tax on their purchases, the full level of VAT will not be charged until the sale to the end-consumer.

Persons engaged in trade or business whose annual turnover from supplies of taxable goods and services exceeds certain limits (taxable persons) are obliged to register for VAT. This subject is dealt with in Section 3 “Taxable persons” and Section 10 “VAT registration”.

In principle, all sales of goods and services are liable to VAT. However, some supplies are exempt (without a credit for input tax), which means that such supplies fall entirely outside the scope of the VAT Act – see Section 5 “Exemptions”. Businesses that only have such supplies cannot register for VAT, and are not entitled to deduct VAT.

Some supplies are zero-rated (exempt with a credit for input tax). When a supply is zero-rated, it means that the supply falls within the scope of the VAT Act, but output VAT shall not be calculated as the rate is zero – see Section 6 “Zero-rated supplies”. The provisions of the VAT Act apply in full for such supplies, including the regulations relating to deductions for input VAT.

3 Taxable persons

3.1 General

The term “taxable person” is not defined in the VAT legislation. However, it is presupposed that the term denotes any person who, as opposed to an employee, supplies taxable goods or services in the course or furtherance of his business and whose annual turnover is above a given threshold (normally NOK 50,000 – see Section 10 “VAT registration”).

The obligation to calculate VAT applies whether the activity is conducted by a single person, several persons (general partnership), a limited company or a limited partnership.

A continuing problem is the question of whether a business is being conducted, or whether an employee relationship exists. The main difference between a self-employed person and an employee is that a self-employed person takes upon himself the performance of specific tasks on his own account and at his own risk, whereas an employee places his labour at the disposal of an employer. How the parties themselves describe the relationship is not binding on the tax authorities. The decisive factor is the real and effective relationship between the parties. An objective and comprehensive evaluation must be undertaken, taking a number of different factors into account.

In addition, it may be necessary to draw a distinction between those activities regarded as *hobbies* and those which are businesses. In such cases it is also necessary to carry out an evaluation of various factors. To be regarded as a business it is necessary that the activities are liable to make a profit. In practice as a rule, the business must make a profit in the course of a four to five year period.

Persons carrying on activities other than in the course or furtherance of their business are generally not taxable persons. Similarly, persons carrying on exempt activities (see Section 5) are not treated as taxable persons.

If there is any doubt as to whether a business is being conducted, the Tax Office should be contacted in order to clarify the matter.

Hereafter, the term “taxable person” or “registered person” will be used to indicate “persons liable to tax” or “enterprises liable for registration/persons engaged in trade or business and liable to registration” which are the terms used in the English translation of the VAT Act and regulations established on the basis of the VAT Act.

3.2 Charities

Charitable and non-profit institutions and organisations are regarded as taxable persons and must register in respect of their business activities in the same way as any other person. The question of whether or not the supply is intended to finance the charitable activities has no bearing on the liability to pay VAT. However, a special registration threshold of NOK 140,000 applies to these institutions.

As a general rule, liability to pay VAT is not linked to the question of who runs the business, but rather to the nature of the goods and/or services supplied.

3.3 Agents

If an agent concludes agreements in the name of and for the account of another person, he will be deemed to have supplied a service. His commission will therefore be liable to VAT.

3.4 Commission agents

Sales on commission means sales in one’s own name, but for the account of another person. The commission agent undertakes to supply goods or services in his own name, but on behalf of and for the account of a principal. Supplies of goods and services on commission are regarded for VAT purposes as taxable both for the principal and for the commission agent. The commission agent is obliged to collect the VAT from the customer.

3.5 Auctioneers

Sale by auction entails an obligation on the part of the auctioneer to calculate and pay VAT. However, sale by enforced auction is not regarded as supply and is therefore not liable to VAT. Nor shall VAT be calculated on the sale by auction of

- lost property,
- the estates of deceased persons, or
- jointly-owned property,

provided that such sales are conducted in accordance with the regulations governing enforced sales.

3.6 National, regional and local authorities

The State, county councils and municipalities, and institutions that are owned or run by them, are regarded as taxable persons when they supply goods and services that are liable to pay VAT. The aforementioned are liable to VAT even if the goods and services are not supplied as part of a business.

Some government institutions engage in activities whose only or main (80 per cent) objective is to take care of their own requirements. Such institutions are only liable for VAT on their supplies to others, but are, on the other hand, only entitled to deductions for input tax on purchases relating to their supplies of goods and services to others.

Government institutions that only supply services to other government institutions are not liable to VAT in so far as they are not engaged in economic activities.

3.7 Estates in bankruptcy, estates of deceased persons

In the event of bankruptcy or death, the estate becomes liable for VAT on supply and withdrawals after the initiation of bankruptcy proceedings or death, provided the debtor or deceased person would otherwise have been taxable. The most important aspect of these regulations is that it is irrelevant whether or not the estate carries on a business, or whether or not the estate's own supplies are below the minimum threshold for VAT registration. It is sufficient that the debtor or the deceased fulfilled these conditions.

3.8 Fiscal unity/group registration

If a single owner, person or company runs several businesses, these are regarded as a single taxable entity for the purposes of VAT, provided they are not established as separate legal entities. Such businesses shall therefore, as a general rule, be registered as a single taxable person in the VAT register – see Section 10. It is also possible, however, for each business to register separately. The person in question must apply for such registration, and it is a requirement that separate accounts are kept for businesses that request separate registration.

Collaborating companies may, at their own request, be regarded as a single taxable entity. There is a condition that at least 85 per cent of the capital in each company is owned by one or more of the collaborating companies, and that the companies are registered as one entity. Goods and services may then be transferred between the companies without charging VAT. The companies also become jointly and severally liable for the payment of VAT.

Whether or not it is possible to register in this way is determined by the structure of capital ownership in the co-operating companies.

3.9 Foreign businesses

Foreign businesses that only supply goods or services *from* abroad *to* recipients in Norway, are not liable for VAT in Norway. However, the importation of goods is a taxable event and VAT is payable at the time of importation by the owner of the goods – see sub-section 4.5.1. For matters concerning the importation of services, please see the relevant text in sub-section 4.5.2.

Foreign businesses that are established or resident in Norway are liable for VAT according to the same regulations as Norwegian businesses and shall be registered for VAT if the conditions for registration are met. See Section 10 “VAT registration”.

If the foreign business supplying goods and services is neither established nor resident in Norway, the business shall be registered for VAT through a representative. By registering in this way, the foreign business has the same rights and obligations that a normal registration for VAT would have entailed. See Section 9 “Foreign non-established businesses”.

4 Taxable transactions

4.1 General

Supply is defined as the delivery of goods or the rendering of services for a consideration. This means that VAT shall be calculated if the supply of the goods or services falls within the scope

of the VAT Act and the vendor is a registered person. If no payment is received there is no supply.

The importation and withdrawals of goods and services are also taxable events.

Supply is also regarded as taking place when goods are delivered or services provided as payment, wholly or in part, for the receipt of other goods or services. This means that an exchange of goods or services is regarded as supply. Therefore, when services and/or goods are exchanged, both parties must calculate and pay VAT due on the transactions.

“Taxable transactions” may be defined as the supply of goods and services in return for a consideration made by a taxable person in the course or furtherance of his business.

Special regulations apply to building activities carried out for one’s own account. Even if a business does not have VAT-liable transactions, activities carried out on its own account, regarding the construction, decorating, modernisation etc. of buildings or plants for sale or let, are liable to VAT. The VAT due in such cases shall be the same as for the withdrawal of goods and services – see sub-section 4.4.

4.2 Supply of goods

VAT shall be calculated and paid on all domestic supplies of goods unless specific exemptions exist.

A definition of what is regarded as goods is provided in the VAT Act. This definition is relatively comprehensive. Goods are defined as physical objects, including real property. Electric power, water from water utilities, gas, heating and refrigeration are also regarded as goods.

VAT is normally calculated at 25 per cent. However, the rate in the case of the supply of foodstuffs is 14 per cent

VAT shall not be calculated on the sale of real property – see sub-section 5.1. Real property includes land with and without buildings. The sale of buildings is also regarded as the sale of real property, unless the buildings are temporary by nature, such as mobile accommodation huts. These are regarded as goods, and their sale is therefore liable to VAT.

VAT shall be paid on the supply/hiring out of machines and electrical equipment that are attached to real property without being a part of the property.

Even though the supply of real property is not liable to VAT, the construction of new buildings and repairs to existing buildings and other real property will incur VAT. This is regarded as a supply of services for which VAT shall be calculated according to the normal rules.

4.3 Supply of services

VAT shall be calculated and paid on the supply of services unless they are specifically exempt.

A service means anything that can be supplied and that is not regarded as goods (cf. the definition of goods above). Restricted rights to physical objects or real property are also regarded as services, as is the total or partial utilisation of intangible assets.

Examples of services/suppliers of services that are liable to VAT:

- lawyers
- auditors
- estate agents
- passenger transport
- letting of rooms
- computer services

The supply of digital products, such as music or software via the Internet, is regarded as the supply of a service.

In the case of the supply of foodstuffs as part of the supply of services connected with the serving of such foodstuffs, VAT is calculated at 25 per cent. The distinction between services connected with the serving of foodstuffs (ordinary rate) and services connected with the sale of foodstuffs (reduced rate – 14 per cent) will thus be critical for many taxable persons.

By catering services is meant serving at a catering establishment, that is: a place where food and/or beverages are served and where conditions are favourable for consumption on the premises. Premises adjoining catering establishments on board ships, in hotels, theatres, cinemas and similar, are deemed to be part of the catering establishment. Places where catering enterprises, in addition to providing food, also provide services such as hiring out of waiters, laying and clearing of tables etc, are also deemed to be catering establishments.

The sale of foodstuffs from catering establishments is not deemed to be included in the sale of a catering service if the foodstuff is not meant to be consumed on the premises or the foodstuff must be considered a traditional kiosk article.

4.4 Withdrawal of goods and services

In order to ensure equitable VAT liability on all consumption liable to VAT, VAT shall also be calculated on withdrawals for e.g. private use on a par with purchases by others. For example, VAT shall be calculated when a self-employed person withdraws foodstuffs for private use from his/her own business, in the same way as when the owner of a garage repairs his/her own private car.

Goods

VAT shall be calculated when a registered self-employed person withdraws goods for private use or for other purposes that fall outside the scope of the Act. Accordingly, if a self-employed person conducts business activities which partly fall inside and partly outside the scope of VAT liability, VAT shall be calculated on any withdrawal made from the VAT-liable part of the activities to the part not liable to VAT. For major operating assets, the duty to calculate VAT on withdrawals is contingent on withdrawal for private use or for purposes falling outside the overall business activities. This rule must be seen in relation to the rules relating to adjustment of input tax regarding real estate and other major operating assets in the event of a change of use. In principle, VAT shall only be calculated on the withdrawal of goods when the person liable to VAT was entitled to deduction of input VAT on the acquisition or production of the goods.

Services

VAT shall be calculated when a self-employed person withdraws services for private use or for other purposes that fall outside the overall business activities. No VAT shall be calculated on the withdrawal of services for that part of the enterprise which is not liable for VAT. (Instead, the

input VAT shall be divided proportionately between the VAT-liable and the non-VAT-liable parts of the activities.) However, for building and construction services, VAT on withdrawals shall also be calculated for that part of the enterprise which is not liable to VAT.

Some provisions of the Act contain special exemptions from VAT liability for services sold to a limited circle of subjects, or they relate VAT liability to a more closely qualified type of a service. In these cases, the sale of such VAT-exempt and VAT-liable types of services does not constitute withdrawals. This means, for example, that someone who lets parking spaces in a parking enterprise shall not calculate VAT on withdrawals if he/she also has parking space hire as part of a rental contract for building space.

No VAT shall be calculated on withdrawal of services that are provided free of charge on a charitable basis.

Withdrawals of exempt goods or services are not liable to VAT.

If a deduction has been made for input tax, VAT is calculated in the same way as for withdrawal if the goods or services from the business are used:

- for board and payments in kind to the proprietor and staff of the business;
- for work on and the running of real property that is required to meet housing requirements or recreational, holiday or other welfare needs, including furniture and equipment for such properties (This rule does not apply to the construction and maintenance of company canteens);
- for entertaining clients/business contacts etc.;
- for gifts and for distribution for the purposes of advertising
(VAT is not calculated on the withdrawal of services provided in person and without payment to charitable and non-profit institutions and organisations. For individual taxable persons, this exemption applies to the withdrawal of services for up to 100 hours per calendar year. Representatives elected at annual meetings are not necessarily bound by this restriction. Regulations have been issued that address the limitations of this exemption.)

Businesses that are entitled to deduct input VAT on the purchase, maintenance, use and operation of passenger vehicles (car dealers, businesses that hire out cars or carry out passenger transport), shall pay VAT if the cars are used for other purposes than as a commodity, a vehicle used in commercial vehicle hire, or for passenger transport in return for a remuneration – see sub-section 7.3.

Separate rules apply for agricultural businesses and associated subsidiary sources of income, for forestry and for fisheries. VAT shall not be calculated on the withdrawal of a business's own products for

- the owner and his household,
- board or payments in kind to employees in these industries, or
- the fulfilment of tenancy contract obligations.

Separate rules apply to the withdrawal of timber cultivated in the proprietor's own woodlands when the cutting is performed in his own sawmill. The same applies to the withdrawal of timber cut by co-operative sawmills. In addition, separate rules apply to the hired cutting of timber.

4.5 Imports

4.5.1 Goods

Under the VAT Act, VAT is calculated on the importation of goods. The liability to pay VAT on the importation of goods is intended to ensure that imported goods are subject to the same VAT burden as those in the domestic supply chain. VAT is also paid when the goods are received from abroad on hire, as a gift or as a loan.

The Customs and Excise represents the tax authorities with regard to imports, and it therefore calculates and collects the VAT.

Pursuant to the Customs and Excise Act, it is the owner of the goods who must pay VAT on the importation of goods. For the purpose of VAT liability, it is irrelevant whether a consumer or a taxable person imports the goods. For registered persons, input VAT on imports is deductible.

Certain goods are exempt from VAT on imports. This applies mainly to goods that would also be exempt if supplied in Norway.

4.5.2 Services

VAT shall be paid on services purchased from abroad, Svalbard or Jan Mayen that are liable to VAT when sold domestically. A number of services are liable to VAT in Norway when the recipient of the service is domiciled in Norway, for example most services provided by consultancy enterprises, lawyers and auditors. The recipient has a duty to calculate and pay the VAT. In principle, this VAT liability only applies when the recipient of the service is a self-employed person domiciled in Norway, the state, a municipality or an institution owned or operated by the Norwegian state or a Norwegian municipality. Buyers not registered in the VAT Register must report the transaction on a separate VAT return which is available from the tax office.

VAT liability applies only to those services that can be *supplied from a remote location* (intangible services). This means in cases where the provision of the service, by its nature, is difficult to associate with a particular physical location. Examples of this type of service are all those that can be supplied digitally, consultancy services, advertising services, hiring out of labour, legal services and various kinds of information services.

For services that cannot be supplied from a remote location, for example services relating to work on real property or goods in Norway, hiring out of goods, transport services and catering services, the foreign business enterprise or self-employed person or its representative must register in the VAT Register.

Foreign providers of electronic communications services shall calculate Norwegian VAT on sales to private persons and other customers domiciled in Norway who are not engaged in business activities or belong to the public sector. The same applies to providers based on Svalbard or Jan Mayen. VAT shall be calculated on electronic communications services delivered via a recipient's permanent terminal in Norway, even if the recipient is not domiciled in Norway. Conversely, no VAT shall be calculated if the delivery is done via a permanent terminal abroad or on Svalbard or Jan Mayen, even if the recipient is domiciled in Norway.

The supply of certain goods and services is exempt from VAT. The suppliers of such goods and services are not permitted to charge VAT and do not get credit for input VAT on purchases for the exempt (part of the) business.

Services exempt from VAT are specified in the VAT Act.

5.1 The supply and letting of real property and rights to real property

This exemption includes the supply and letting of undeveloped and developed plots of land, buildings and plants, and sections of buildings and plants. The exemption also includes goods and services supplied as part of the letting process, such as electricity, water, caretaker services and cleaning.

The exemption does not include

- letting of rooms, including letting of conference and meeting premises etc. in hotels and similar, letting of real property for camping and letting of cabins, holiday apartments and other holiday homes,
- the letting of parking spaces in car parks
- the letting of storage facilities,
- the letting of left luggage lockers and safe-deposit boxes,
- the hiring out of reception rooms in connection with the serving of foodstuffs,
- the supply of the right to use advertising space,
- the supply of trees and crops on the root which are not supplied with the land,
- the supply of the right to extract mineral products and other natural products from land, and
- the supply of hunting and fishing rights,
- the supply of the right to use an airport for aircraft,
- the supply of the right to use the railway network for transport,
- the supply of the right to use municipal harbours.

Those who hire out real property for use in activities that are liable to VAT may register voluntarily (see sub-section 12.5).

5.2 Financial services

The exemption for financial services is limited to specific services. The exempt transactions are defined according to the nature of the services provided and not according to the persons providing or receiving the services. Exemptions for financial services cover

- insurance and insurance brokerage;
- financing services, but not financial leasing;
- the execution of payment orders (In addition to the execution of traditional payment orders performed by, for example, savings banks and commercial banks, the exemption also covers services rendered by clearing houses and data processing centres etc. which provide communications and the collection of transactions providing these have independent responsibility for a given stage in the payment transfer.);
- valid means of payment and brokerage services during such supply;
- financial instruments and the like, and brokerage services during such supply (Financial instruments means, among other things, shares, bonds and other negotiable securities, units in securities funds, money market instruments, forward rate agreements, and interest and currency swaps. The exemption also covers options on the purchase and sale of such instruments. The exemption for financial instruments covers, for example, the active

- management of an investor's portfolio, underwriting services for share issues, and clearing. Supply relating to a company's interests that are not shares – i.e. general partnership and limited partnership – and commodity derivatives are also exempt from VAT.);
- the management of securities funds.

Services relating to managerial, legal, financial or technical assistance are not covered by the exemption. For example, the supply of credit management services by a subcontractor to the person granting the credit is subject to VAT.

A financial service may contain elements of additional services which, when seen in isolation, would be liable to VAT. However, if the associated service is directly connected to, and subordinate to, the main financial service, it may, upon evaluation, be regarded as being covered by the exemption. This may apply, for example, in the case of corporate finance services.

The taxable status of a rendered service shall be evaluated separately for each business activity. A subcontractor who provides a service which is liable to VAT must therefore ensure that VAT is added, even if the service at a later stage in the supply chain forms a necessary part of an exempt financial service.

Services provided by a subcontractor may, however, be regarded as financial services in themselves, and thus exempt from VAT. For a subcontractor's service to be covered by the exemption, the service must be separate from, but essential and specific to, an exempt financial service. A decisive factor in such an evaluation is whether the subcontractor is independently responsible for the specific and essential components of the exempt financial transaction.

5.3 Health services

The exemption for health services includes services covered by the Municipal Health Service Act, the Dental Services Act, the Specialist Health Services Act, and services covered by Chapters 5 and 10 of the National Insurance Act – i.e. services provided by doctors, dentists, psychologists, chiropractors and physiotherapists are exempt. Acupuncture, homeopathy, osteopathy, naprapathy, zone therapy, aromatherapy, nutritional therapy, herbal medicine, kinesiology and classic (Swedish) massage are also exempt as health services. Other kinds of alternative treatment services are exempt if exercised by authorised health personnel. The exemption for health services also covers health services organised by a firm for its employees and services provided by dental technicians and ambulances.

The exemption also covers the procurement of health services.

5.4 Social services

The exemption for social services includes, among others, those services that the municipalities are obliged to perform pursuant to Chapter 4 of the Social Services Act. This applies to home helps, care and nursing services in municipal old people's homes, accommodation for the functionally disabled and for alcohol and drug abusers, among others. Childcare in both private and municipal kindergartens and the running of youth clubs and children's holiday camps are also covered by this exemption.

Services relating to the operation of community alarm systems are also exempt from VAT.

The exemption also includes the procurement of social services.

5.5 Educational services

The exemption for educational services includes both private and state education. In addition to traditional school teaching, the exemption also covers instruction in recreational activities, such as music, dance, riding, skiing, swimming and driving schools. A distinction is made between exempt services and consultancy and advisory services, which are liable to VAT. As opposed to educational services that are characterised by having the objective of transferring knowledge, an advisory service is distinguished by the fact that the provider undertakes to perform an assignment/deliver a result on the basis of a specific request.

The exemption also covers the procurement of educational services.

5.6 Services that form a natural part of health, social or educational services

The exemption for health, social and educational services also includes other goods and services that form a natural part of the exempt main service. For these services to be exempt, they must be rendered by the same person that performs the exempt service. For example, the exemption includes the provision of bandages and artificial limbs by a doctor, and catering services for the functionally disabled or pupils in an institution. The exemption does not include, for example, ordinary sales from a canteen or a kiosk, the sale of educational materials (notebooks, pens etc.) and so-called “optional” services such as hairdressing.

5.7 The hiring out of health, social and teaching personnel

VAT is not calculated on the hiring out of labour for the performance of health, social or educational services. Nor is VAT calculated on the procurement of labour for the performance of health services.

5.8 Cultural services

The exemption for cultural services includes the right to attend theatre, opera, ballet, and circus performances, exhibitions in galleries and museums, concerts and sports events, and amusement parks, adventure centres and dance halls with live music, and computer parties and similar events directed towards children and youth. This exemption also applies to the procurement of such services. However, other parts of the entertainment sector are liable to VAT. This applies to discotheques, cinemas, striptease and restaurants etc.

Services in the form of artistic performances and the procurement of such services are also exempt.

Singers, musicians, orchestras, actors, theatre groups, conductors and stand-up comedians etc. are covered by the exemption. However, these are distinguished from lecturers, programme presenters etc., where the focal point of their presentation is of a more administrative or informative nature. Disc jockeys will be liable for VAT if their performance simply entails the passive playing of CDs.

Services provided as an integral and necessary part of an artistic performance are also exempt.

VAT does not apply to an author exploiting the copyright to his own literary and artistic works.

5.9 Sporting activities

In principle, the exemption for sporting activities covers activities carried out by associations affiliated to The Norwegian Olympic Committee and Paralympic Committee and Confederation of Sports. Certain other activities are also exempt, such as go-cart racing and motor sports. An activity that is simply called a sporting activity is not covered if the purpose of the activity is not

to carry out sport, for example dancing at a discotheque and snooker/pool/billiards in bars etc. VAT is not charged on the sale of football players. However, a player's agent is liable for VAT. The hiring out of sports grounds and facilities is covered by the general exemption for the letting of real property.

5.10 Guide services and procurement of such services

The exemption covers guiding and conducted tours related to tourism and culture. Examples are guided travel tours, services such as guiding in mountains or on glaciers and conducted tours of museums or other cultural/religious places. The exemption also covers guiding in connection with organised activities to observe wildlife (photo safaris etc.), cave exploration and rafting etc. on rivers and watercourses.

5.11 Public authorities

Services related to public authorities are not subject to VAT. This exemption applies to activities performed by bodies governed by public law and related to fundamental powers and duties of a public authority. Private entities or persons may also be empowered by public law to execute public authority, and will then be exempt for this activity. Activities that can by their nature be performed by individuals in a profit-making capacity are not exempt. Land registry activities, the issue of passports and driving licenses, the consideration of planning applications and municipal duties pursuant to the Burial Ceremonies Act, are examples of the performance of public duties.

5.12 Other exemptions

- State-regulated lotteries, gaming, betting by means of the totalisator, as well as the procurement of such services, including the activities of lottery agents and others who engage in lottery-related activities on a commercial basis are exempt.
- The services of funeral directors and undertakers, such as the intermediary service of engaging a priest, organist etc. in connection with the chapel or church ceremony, are exempt. This also applies to the care of the deceased, embalming and pall-bearing, and services connected with the issue of documents related to the death. Services of funeral directors in connection with the transport of the deceased or the arrangement of such transport and the packaging and dispatch of urns are also exempt.
- Catering services for students of schools and universities are exempt. The exemption covers catering services in connection with both private and state educational establishments, such as university and college canteens and student canteens in secondary schools etc. The exemption does not cover the serving of alcohol, the sale of goods from kiosks and catering services to others. If a student canteen is used as a normal restaurant, for example in the school holidays, this will be regarded as a VAT-liable activity.

Also exempt from VAT are **sales by**

- charitable and non-profit institutions and organisations (including sales by commission agents) of picture postcards, folders, calendars and other objects of small value, provided that such sales are occasional and are part of the activity of the institution or organisation concerned. The exemption also includes the sale of goods from such institutions and organisations at considerably inflated prices;
- charitable, non-profit organisations and associations of goods from second hand stores when the surplus is used entirely for charitable purposes. Furthermore there is a condition that the shops only sell second hand goods which have been received without any charge, and that the shops use voluntary, unpaid manpower.

- charitable, non-profit organisations and associations where contributions are received in the form of membership fees, and where these fees cover goods and services that form part of the organisation's or association's charitable, non-profit activities;
- housing co-operatives of management services to associated housing associations;
- museums, theatres, , organisers of exhibitions, concerts and meetings, of catalogues, programmes, picture postcards and souvenirs are also outside the scope of VAT.

The supply of stamps, banknotes and coins as collector's items, are exempt from VAT.

The scope of some exemptions is further established in regulations issued by the Ministry of Finance. The Ministry of Finance has also issued interpretative statements for certain exemptions.

6 Zero-rated supplies (exemptions with credit for input tax)

A zero-rated supply falls within the scope of the VAT Act, but no output VAT is charged since the rate is zero. The provisions of the VAT Act apply in full for such supplies, including the regulations relating to deductions for input VAT.

In many cases regulations have been issued to delimit and define these exemptions. Zero-rating applies, in the main, to the cases outlined in the following sub-sections.

6.1 Exports

The supply of goods and services to abroad is zero-rated. For these purposes both Svalbard (Spitsbergen) and Jan Mayen are regarded as abroad. Such supplies and the documentation required for export sales are governed by regulations.

Goods must be cleared by the customs authorities. The exemption does not apply if the goods are handed over in Norway, even if payment is made from abroad. There are separate regulations for what are known as 'tourist sales', see sub-section 7.7.

For services to be regarded as exported and consequently zero-rated, the service must, as a general rule, be used entirely abroad. If a service can be *supplied from a remote location*, VAT shall not be charged if the recipient of the service is a taxable person who is resident abroad, on Svalbard (Spitsbergen), or on Jan Mayen. For further details regarding the expression 'supply of services from a remote location', see sub-section 4.5.2.

6.2 Offshore petroleum activities

In addition to the supply of goods and services to licensee companies, zero-rating applies to drilling companies and the owners/hirers of platforms, the supply to taxable persons who are not obliged to register and who provide offshore services outside Norwegian territorial waters.

In principle, all types of *goods* that are for use outside Norwegian territorial limits are zero-rated. There is, however, a proviso for the sale of goods for use in Norway and the supply of goods for sale to crews.

In order for the supply of goods to be zero-rated, the supply must be made in accordance with a special order slip.

Zero-rating on the supply of *services* is restricted to those services referred to specifically in the regulations. Zero-rated services include, among others, services performed at a drilling or survey site, or at an installation outside Norwegian territorial waters, services performed in Norway on equipment associated with such an installation, services connected with design and other technical assistance for such an installation, and transport services between land and an installation outside Norwegian territorial waters. If the service is zero-rated, VAT is not charged on materials that are supplied in connection with the work. The requirement to use a special order slip does not apply to the straightforward provision of services.

Base companies that are obliged to register shall not charge VAT on supplies at the base premises for services related to storage, unloading and transport etc. for the account of licensee companies or drilling companies etc.

In addition, the supply of goods and services to *specialised ships* for use in the offshore petroleum activities is zero-rated. With regard to services, zero-rating is limited to work on the vessel or on the vessel's fixed operating equipment, towing of the vessel, the hiring-out of fixed operating equipment for the vessel, and the fee paid by a Norwegian shipowner to negotiate the chartering of a specialised ship. For the provision of services, there is no requirement to use a special order slip.

The scope of the zero rate is outlined in the regulations.

6.3 Supplies to foreign ships

Zero-rating on supplies to foreign ships applies only to supplies of goods and services to certain types of ship, including larger ships that carry paying passengers, cargo ships and commercial fishing/whaling boats etc. More detailed provisions are provided in the regulations.

6.4 Supplies to ships in international transport

Supplies of goods and services to Norwegian ships of at least 15 metres in length, providing they are in international transport and carrying cargo or paying passengers are zero-rated. Ships in international transport means vessels that regularly sail between foreign ports, or between Norwegian and foreign ports.

6.5 Supplies to aircraft on international flights

The provisions allow zero rate only for the supply of goods and services to Norwegian and foreign aircraft on international flights, and do not apply to the supply of goods and services for use on foreign aircraft on domestic flights in Norway.

6.6 Transport services directly to or from abroad

Zero-rating for transport services directly to or from abroad applies to transport services that are provided in Norway. Direct transport is said to occur when an agreement exists regarding the uninterrupted transport from a place in Norway to a place abroad, and vice versa. Regulations have been issued concerning the relevant conditions, scope and documentation. With the exception of the bulk dispatch of letters to abroad, zero-rating does not apply to the conveyance of letters to abroad by the Norwegian postal service

6.7 The procurement:

- of passenger transport abroad or directly to or from abroad, and also the procurement of

- rooms in hotels etc,
- holiday apartments,
- catering services and
- car rental services

when the procurement concerns services that are supplied abroad, on Svalbard or Jan Mayen.

6.8 Transfer of a business to a new owner

Output tax shall not be calculated on sales of goods and services linked to the transfer of a business or part of a business to a new owner

6.9 Newspapers

Zero-rating for newspapers applies at all stages in the supply chain from when the newspaper is printed. The newspaper must be published regularly, with at least one edition per week.

6.10 Books and periodicals

Zero-rating for books includes their simultaneous publication as talking books. Zero-rating for periodicals applies if supply is, in the main (at least 80 per cent), made to regular subscribers, or if the periodical is distributed to members of an association, or if the content is predominantly political, literary or religious. Zero-rating only applies at the final stage in the supply chain.

6.11 Electric power for households in the counties of Finnmark, Troms and Nordland

Electric power supplied to households in the counties of Finnmark, Troms and Nordland is zero-rated.

6.12 Private assets or goods

Output tax shall not be calculated on the supply of private assets or goods purchased for purposes that are not deductible for input tax.

6.13 Vehicles

Zero-rating applies to the sale of vehicles which are subject to the obligation to pay re-registration tax and which have been registered in Norway (used vehicles). VAT is charged on sales of new vehicles.

Sales of vehicles that exclusively use electricity for propulsion are also zero-rated.

6.14 Services for the account of foreign principals

Regulations provide for zero-rating in two areas. The first concerns the provision of advertising services to foreign businesses. The second concerns repairs carried out under guarantee on behalf of foreign principals.

6.15 Public roads and certain rail tracks

Zero-rating applies to services provided in the final stage of the supply chain related to the planning, design, construction, repair and maintenance of public roads and certain rail tracks. In addition, zero-rating applies to the building of bridges and bridge components for such roads or tracks, provided that construction is carried out at a workshop. Only the services are zero-rated. Output tax is charged on all goods that are supplied. The zero-rating is governed by regulations.

6.16 Sales of certain ships, aircraft and platforms

Zero-rating applies to the sale of passenger and cargo ships over 15 metres in length, among others.

Furthermore, zero-rating applies to the sale of fishing vessels of at least 20 feet in length. For the sale of school ships, naval vessels and ships used for meteorological and research purposes, the 15-metre minimum length does not apply.

Zero-rating also applies to the sale of oil-drilling platforms and other movable platforms for use in the petroleum industry.

The zero-rating on the sale of aircraft applies to aircraft intended for commercial activities and depends on the purchaser having a concession or operating license for such services.

Zero-rating also applies to operating equipment supplied together with the ship, aircraft or platform providing the latter is zero-rated. Zero-rating does not apply to fishing tackle supplied together with fishing vessels.

6.17 Building, repair etc. of ships, aircraft and platforms

Zero-rating applies to services at the final stage in the supply chain in connection with the repair, maintenance, new-building or conversion of ships, aircraft or platforms, as mentioned in sub-section 6.16. Zero-rating also applies to goods supplied together with such services, and to work performed on fixed operating equipment.

6.18 Hiring out of certain ships, aircraft and platforms

Zero-rating for the hiring out of ships applies only to those of at least 15 metres in length for use in international service, or in domestic service if the vessel is intended for carrying paying passengers, and to specialised ships for use in petroleum activities. The hiring out of other ships is regarded as liable to VAT.

6.19 Salvage of certain ships, aircraft and platforms

Zero-rating applies to services provided by salvage or rescue vessels in connection with the salvage of certain ships, aircraft or platforms

7 Deductions and refunds**7.1 General**

Registered persons are entitled to deductions for input tax. This also includes taxable persons who are pre-registered, and those who have registered for VAT voluntarily (see Section 10 “VAT registration”).

In addition, the right to deductions applies to registered persons supplying goods and services that fall within the scope of the VAT Act, but are zero-rated, such as export sales.

Foreign taxable persons are entitled to a refund of VAT paid on goods and services bought in Norway – see sub-section 7.6.

Under certain circumstances, visitors from abroad (tourists) may recover Norwegian VAT paid on purchases made in Norway – see sub-section 7.7.

7.2 What can be deducted

The right to deductions for input tax applies, in principle, to VAT on goods (both goods for supply and business assets) and services purchased for use in business activities which are liable to VAT. It is a precondition that the vendor has charged VAT on the goods or services that are purchased. Input tax that cannot be verified by a sales document is not deductible. For more information regarding the sales document see Section 12 “Accounting regulations and duty of disclosure”.

7.3 What cannot be deducted

Deduction entitlement does not apply to purchases for personal use or for use in a business outside the scope of the VAT Act, such as the letting of hotel accommodation.

The VAT Act also contains regulations that exclude deduction entitlement on certain goods and services, even if these are for use in business activities which are liable to VAT. There is no deduction entitlement for input tax on:

- board and payments in kind for the proprietor or employees of a business;
- work on, and the running of, real property which provides for housing, recreational, holiday or other welfare requirements (this does not apply to the construction and maintenance of company canteens.);
- entertainment of clients etc., including services connected with the serving of foodstuffs and the hiring of reception rooms;
- gifts exceeding a certain value, including those distributed for the purposes of advertising;
- works of art and antiques, providing these are not supply commodities in the business; or
- the purchase, maintenance, use and operation of passenger vehicles. However input VAT can be deducted if the vehicle is used as a commodity, a vehicle used in commercial vehicle hire, or used for passenger transport in return for a remuneration.

7.4 Partial deduction entitlement

Certain registered persons also conduct business activities where the supply falls outside the scope of the VAT Act.

If purchases are not intended for a specific part of the business, but cover the whole business, the input tax shall be apportioned accordingly. The anticipated use of the goods/services at the time of purchase shall form the basis for the apportioning. The rules governing this apportioning are laid down in regulations.

The rules on proportionate apportioning do not apply to the acquisition of goods or services of the same type as those sold by the enterprise. If a computer company, in addition to selling computer equipment, also runs courses in the use of such equipment, a full deduction for input VAT must be made when acquiring computers. Output VAT must then be calculated for the computers to be used in the course activities. The ordinary market value for sale to others shall be used as the basis for the calculation of VAT on withdrawals.

7.5 Adjustment of input tax

General provisions have been adopted for the adjustment of input VAT on real property and other major operating assets (capital goods) on change in use during a ten-year period for real property and during a five-year period for other capital goods. In general terms, the provisions mean that the deduction for input VAT shall be adjusted up or down if the connection between capital goods and activities liable to VAT change during the above-mentioned periods following acquisition.

The adjustment provisions do not change the opportunity to deduct input VAT immediately on acquisition. The provisions apply to events taking place after the acquisition.

The adjustment provisions are applicable to so-called 'capital goods', which are defined in the Value Added Tax Act. Operating assets other than capital goods will be covered by the general provisions on withdrawals. The withdrawals provisions will take precedence over the adjustment provisions if capital goods are withdrawn for private use during the adjustment period.

Machinery, fixtures and fittings and other operating assets for which the input VAT on the cost price amounts to at least NOK 50,000 are deemed to be capital goods, with the exception of vehicles exempt from VAT on resale. This limit applies to each individual acquisition. Real property that has been subject to construction, extension or alteration for which the input VAT amounts to at least NOK 100,000 is also deemed to be capital goods. Hence, input VAT on costs relating to operation, maintenance and repairs to real property is not comprised by the scheme. If more than one construction project is carried out on a property in the same year, the costs of these projects shall be added up to determine whether the NOK 100,000 limit has been reached. Sale and other transfer of capital goods trigger the adjustment obligation. The same applies when a change in the use of the capital goods results in the purpose no longer being VAT deductible. However, fire or demolition of premises do not result in adjustment. No adjustment shall be made if an enterprise not liable to VAT becomes liable to VAT as a result of a legislative amendment.

On transfer of real property as mentioned above, the property is deemed to have passed to non-deductible use, and the input VAT shall be reduced. Adjustments can be omitted if the party who takes over the real property also takes over the adjustment obligation. If the real property is sold before completion, let or in any other way used for purposes that fall outside the scope of the Act, then the deducted input VAT shall be returned. This return can be omitted if the party who takes over the capital goods also takes over the obligation to return input VAT.

An adjustment shall be made where capital goods are transferred as part of the transfer of an enterprise or part of an enterprise, since the latter is exempt from VAT and this is considered equivalent to transferring of capital goods to a non-deductible purpose. In this case too, adjustment can be omitted if the adjustment obligation is transferred.

7.6 Refunds to foreign taxable persons

Foreign businesses that are registered for VAT (through a representative in certain cases) are entitled to deductions for input tax in accordance with the general regulations – see above.

Foreign businesses that are not registered for VAT may, subject to certain conditions, be refunded the VAT they pay on the purchase of goods and services in Norway, or on the import of goods into Norway.

Certain conditions are stipulated for such refunds:

1. that the foreign business is not obliged to register in Norway;
2. that the purchase is for use in the business that the person carries on abroad;
3. that the business would have been obliged to register for VAT if it had been carried on in Norway; and
4. that the VAT would, in that case, have been deductible.

VAT on goods that are imported for delivery to purchasers in Norway and VAT on goods that are imported/purchased for supply in Norway is not refundable.

More detailed information and an application form is available on this website.

7.7 Foreign tourists

A seller can be credited with the VAT calculated on sales of goods to persons resident abroad if the goods are taken out as luggage.

If the purchaser is resident in Denmark, Finland or Sweden, the seller's accounts must document the fact that the buyer imported the goods into his or her home country in immediate connection with the sale, and that payment of VAT or a corresponding general purchase tax was demanded upon the importation of the goods. The seller can then reimburse the VAT amount to the buyer.

If goods are sold to persons resident in countries other than Denmark, Finland or Sweden, the seller can be credited with the VAT if his accounts document the fact that the goods were taken out of the country by the buyer within a month of delivery. The same applies to sales of goods to persons resident on Svalbard or Jan Mayen.

The selling price of each item sold to a person resident in Denmark, Finland or Sweden must be at least NOK 1,000 excluding VAT. The same applies to sales to persons resident on Svalbard (Spitsbergen) or Jan Mayen. A group of goods normally constituting a single item of goods is also regarded as one item.

For sales to persons resident in other countries, it is sufficient for the individual invoice amount to be at least NOK 250 excluding VAT.

In addition, Tax Free Shopping will refund VAT to foreign tourists resident outside of Scandinavia and Finland upon their departure from Norway. To be eligible for this refund, the goods must have been purchased in shops that are linked to the Tax Free Shopping scheme.

8 Taxable amount and VAT rates

8.1 Taxable amount

Output tax is calculated on payments for supplies of goods and services which are liable to VAT. The VAT itself is not included in the calculation basis.

The calculation basis includes:

- all costs in connection with the fulfilment of the agreement, including costs for packaging, dispatch, insurance and similar, which form a part of the payment, or for which a separate payment is required;
- customs duty and other duties pursuant to legislation, excluding tax pursuant to the Storting's ruling relating to non-recurring tax;
- connection charges, fees and other amounts incurred in connection with the supply of goods or services;
- auctioneers' fees, commissions and similar; and
- service charges and similar.

Legally enforceable debt and reminder charges shall not be included in the calculation basis.

Special regulations apply to credit purchases.

8.1.1 Second-hand goods, works of art etc.

There are special rules on a reduced calculation basis for VAT on the sale of second-hand goods, works of art, collectors' items and antiques. The rules mean that dealers who are liable for VAT may use their gross profit instead of the total sales sum when calculating VAT on second-hand goods etc. which they in turn purchased from the general public or from others who are not allowed to charge VAT on the sale to the dealer. For each sale the dealer may choose whether to apply the ordinary rules for the calculation of the VAT or the new gross profit system. In the case of sales by auction, VAT is calculated on the auctioneer's fees.

8.1.2 Exchange, withdrawal and community of interest

In the event of an exchange of goods or services, the ordinary supply value is used as the basis for the calculation of VAT. The same applies when VAT is calculated on withdrawals, and in connection with community of interest.

The price that the relevant taxable person would have charged for an ordinary sale is used as the calculation basis, not the price he himself paid.

8.2 VAT rates

The standard rate of VAT is 25 per cent. In the case of domestic sales, VAT is calculated on the sales price, and in the case of imports, it is calculated on the customs value.

The rate of VAT on the supply of foodstuffs is 14 per cent. Foodstuffs means any item of food or drink or any other goods intended for human consumption. Medicines, water from water utilities, tobacco products and alcoholic drinks are not included.

VAT is calculated at 8 per cent on the supply of passenger transport services and the procurement of such services, on the letting of hotel rooms and holiday homes, and on transport services regarding the ferrying of vehicles as part of the domestic road network. The same rate applies to cinema tickets and to the television license.

In the case of the supply of raw fish to, or via, a fishmongers' co-operative established pursuant to the Raw Fish Act, a special rate of 11.11 per cent shall be applied.

9 Foreign non-established businesses

A foreign non-established business with taxable sales in Norway (for which the reversed charge mechanism does not apply – see sub-section 4.5.2) must register for VAT through a representative. By registering in this way, the foreign person has the same rights and obligations as for normal registration in the VAT register.

The only requirement the representative must satisfy is that he or his business is resident in Norway. There is no further requirement that he must be a qualified auditor or accountant etc.

The foreign taxable person and his representative are both responsible for the calculation and payment of VAT.

The sales documents (invoices) for goods and services supplied by the foreign person in Norway shall be submitted via the representative. The representative shall enter his own name and address on the sales document, the foreign person's organisation number followed by the letters MVA, and the amount of VAT (output tax) for the payment.

The representative will not normally be responsible for the VAT on supplies that were undertaken before his relationship as a representative became established through the registration of the foreign company. Nor will the representative normally be held responsible for VAT entered in sales documents (invoices) that are not submitted via him in the prescribed manner. It is a precondition that the representative has acted in good faith in the event that the regulations are not adhered to.

It is not necessary for the payment from a Norwegian customer to be made through the foreign person's representative in Norway. Payment may be made directly to the foreign business.

The foreign taxable person shall keep accounts for his business activities in Norway. The representative shall also keep complete VAT accounts for the foreign person's supply in Norway (both purchase and sales), and is obliged to keep these accounts, sales documents, vouchers etc. in Norway for at least ten years after the end of the accounting year in question. The VAT accounts shall be organised in such a way that the tax authorities can check at any time that VAT have been correctly calculated.

10 VAT registration

10.1 General

All taxable persons with taxable supplies that exceed a given threshold are obliged to complete a registration form and submit it to the County Tax Office. The standard lower threshold for registration is NOK 50,000. The lower threshold relates to combined supplies and withdrawals pertaining to the taxable person within a 12-month period. This 12-month period is independent of the calendar year.

Foreign businesses with taxable supplies in Norway must also be registered for VAT, through a representative in certain cases. For more information please refer to Section 9 "Foreign non-established businesses".

For charitable and non-profit institutions and organisations there is a special threshold set at NOK 140,000.

The Central Coordinating Register for Legal Entities (CCR) is a central register of economic entities in Norway. It has six associated registers:

1. the Register of Employers
2. the Register of Business Enterprises
3. the County Governors' Register of Foundations
4. the Value Added Tax Registration List
5. the Business Register of Statistics Norway
6. the Corporate Taxation Data Register

All businesses that are registered in an associated register shall also be registered in the CCR, and shall receive an organisation number. A form is available, the "co-ordinated registration

notification” form, which is a general registration form for registering with the CCR and associated registers. The form comprises the following parts:

- Part 1 – Main form
- Part 2 – Supplement for the Value Added Tax Registration List.

Part 2 of the coordinated registration notification form shall be completed when business activities commence or are taken over which engage in supply that comes under the provisions of the VAT Act. It shall also be used in the event of the cessation, closing down or transfer of taxable business activities. It shall be sent to the County Tax Office in the county of residence, to the CCR, or to one of the other associated registers. Part 2 may be submitted alone if the application is for registration in the VAT registration list for businesses that are already registered in the CCR. It is a precondition, however, that all the necessary information on the main form was provided upon registering with the CCR.

It is also possible to submit the coordinated registration notification at The Brønnøysund Register Centre’s website www.brreg.no.

The Tax Office shall determine whether or not the conditions for registration for VAT are fulfilled. If the conditions for registration are met, the business will be issued with a registration number (organisation number + the letters MVA). If the conditions are not met, registration will be refused. The decision to refuse can be appealed to the Directorate of Taxes. The appeal shall be made to the Tax Office, that will forward the matter to the Directorate of Taxes.

10.2 Pre-registration

In special cases, consent may be given for registration before supply commences, or prior to the lower threshold being reached. On application, pre-registration may be granted if the business has invested in assets, stocks and/or services to the value of at least NOK 250,000 inclusive of VAT prior to the business commencing supply. Further requirements are stipulated in relation to an evaluation of the probability that the business, when normal operation is reached, will have a supply that is well above the registration threshold, and that it will conduct its business activities as previously defined.

Pre-registration may also be granted if it is likely that taxable sales from the business will exceed NOK 50,000 within three weeks from the time the taxable sales start.

Businesses that are pre-registered are liable for VAT for their entire supply from the date of registration. The application for pre-registration shall be sent to the Tax Office.

10.3 Retrospective VAT returns

After a taxable person has been registered for VAT he may, on application, receive a retrospective VAT return. This means that input tax that has accrued in the period prior to registration can be deducted after registration. It is a condition that the purchases in question have direct relevance for the business activities that are being conducted, and that the investment period has been continuous and not excessively long.

Deductions for input tax may be claimed on purchases that are directly connected with sales from the registered business on condition that they have not been sold before registration.

The application for a retrospective VAT return shall be sent to the Tax Office.

10.4 Voluntary registration

Certain services fall outside the scope of VAT. For some of these it is possible to apply for voluntary registration in the VAT register.

The purpose of voluntary registration is to give the person providing these services the opportunity to deduct input tax on purchases used in his business.

Businesses which pursuant to the regulations may register voluntarily are:

- those that rent out agricultural property;
- those that construct water and sewage works; and
- those that let buildings or plants for use in businesses that are registered pursuant to the VAT Act.

11 VAT returns and payment obligations

11.1 General

Registered persons are obliged to submit VAT returns and to pay VAT with reference to prescribed accounting periods.

Registered persons will receive the VAT return form in plenty of time prior to the end of the period in question. The VAT return form will already be partly completed with the person's name, address and organisation number. VAT return forms intended for other periods must not be used.

Non-registered taxable persons and public institutions that purchase services from abroad, and who become liable to pay VAT on the service, must apply to the Tax Office for a VAT return form.

The VAT return comprises a section which summarises the VAT calculation and a payment section. The former section must be completed and submitted to a central office in Mo i Rana by the stipulated deadline. Business accounts form the basis for the completion of the VAT return.

It is possible for taxable persons throughout Norway to submit VAT returns at the internet portal www.altinn.no

In order to gain access to the Internet service at www.altinn.no you have to log in with your own birth registration number or D-number and a PIN code. The PIN code may be obtained by filling in your birth registration number or D-number at www.altinn.no. A letter with several PIN codes will be sent to the address indicated in the national register. A PIN code can only be used one time. Next time you log on to www.altinn.no you have to use the next PIN code in the PIN code letter.

First time access to submit VAT returns at www.altinn.no is given to specified persons in a company. For limited liability companies the managing director and the chairman of the board is given the first time access. For companies with unlimited liability the first time access is given to the owner or partners.

11.2 Bi-monthly returns

Returns shall be submitted for the following periods:

- 1st period – January/February
- 2nd period – March/April
- 3rd period – May/June
- 4th period – July/August
- 5th period – September/October
- 6th period – November/December

A VAT return must be submitted even if supply for the period is zero.

The Tax Office must be in receipt of the VAT return within one month and ten days of the end of each period. The deadline for the 3rd period is however August 31. If the VAT return is submitted by post, the date stamp must not exceed this deadline.

The Tax Office may grant permission for the use of alternative periods if particular circumstances make this necessary. If input tax regularly exceeds output tax by 25 per cent or more, the year may be divided into 12 periods.

If input tax regularly exceeds output tax by 50 per cent or more, permission may be granted for even shorter periods.

11.3 Small businesses - annual VAT returns

Registered persons with supplies of under NOK 1 million per year may apply to submit VAT returns annually (annual year-end returns). The application shall be sent to the Tax Office.

The VAT return must reach the Tax Office within one month and ten days after the end of the calendar year. If the VAT return is submitted by post, the date stamp must not exceed this deadline.

11.4 Agriculture, forestry and fisheries - annual VAT returns

Registered persons within agriculture, forestry and fisheries shall submit annual VAT returns. The deadline for the submission of annual VAT returns is three months and ten days after the end of the calendar year, i.e. by April 10. Annual VAT returns must be submitted even if the supply for the period is zero.

Registered persons within agriculture, forestry and fisheries submitting annual VAT returns may also be allowed to submit returns for shorter periods. Permission for alternative periods is normally granted for a period of two years.

11.5 Quarterly returns

Taxable persons and public institutions that are not registered for VAT, and that purchase services from abroad, shall submit quarterly VAT returns (every three months). See sub-section 5.5.2 above relating to the importation of services. VAT returns are not submitted for periods in which the VAT amount is less than NOK 500.

The deadline for the submission of quarterly VAT returns is one month and ten days after the end of the three-month period.

11.6 Payment and refund of VAT

VAT falls due at the end of the VAT return deadline – i.e. one month and ten days after the end of the period, or three months and ten days for registered persons within agriculture, forestry and fisheries.

Non-registered taxable persons and public institutions that purchase services from abroad (see sub-section 4.5.2 above) shall not calculate or pay VAT if the taxable amount for the period is less than NOK 500.

If the registered person is entitled to a VAT refund (credit return), the amount shall be repaid within three weeks of receipt of the VAT return.

11.7 VAT return is incomplete or arrives too late

If a VAT return contains formal errors or is not submitted within the deadline, the tax authorities will normally impose a surcharge. The penalty charged will be at least NOK 250 and up to a maximum of NOK 5000. It is not possible to impose a surcharge greater than three per cent of output tax.

11.8 Unsent VAT returns

If a return does not arrive, the Tax Office will determine the amount of VAT by discretion. This discretion is based on information that the Tax Office has or obtains. Discretion shall be as close to the factual situation as possible.

In cases of particularly serious or repeated negligence with respect to the obligation to submit VAT returns, the tax authorities may report the taxable person to the police.

11.9 Incorrect returns

A discretionary determination of VAT may also be made if the Tax Office finds that a VAT return is incorrect, incomplete, or based on accounts which do not conform with applicable regulations on the keeping of accounts.

All VAT returns are checked. If errors are found, the Tax Office will determine the amount of VAT by discretion.

11.10 Audits

In addition to checking VAT returns, the Tax Office also carries out on-site audits of accounts. Such audits may investigate accounts for up to and including the previous ten years.

11.11 Interest

Interest will be charged if VAT is paid after the due date. This also applies when VAT is determined as a result of an audit, because the VAT return was incorrect, or because it did not arrive.

Those liable to pay VAT are entitled to receive interest if the excess input tax (credit) is not refunded before the three-week deadline. However, the taxable person will not be entitled to interest if the VAT return contains errors.

Rules on the calculation of interest are stipulated in the regulations.

11.12 Surtax

In the event of contravention of the VAT Act, surtax may be imposed. In serious cases the surtax may be up to 100 per cent.

11.13 Provisions for penalties

Contravention of the VAT Act may be penalised with fines or a prison sentence.

12 Accounting regulations and duty of disclosure

12.1 Accounting obligations

All those who are obliged to submit returns according to the VAT Act are also obliged to keep accounts, regardless of whether the business is liable for VAT. This applies whether the business is run as a sole proprietorship, a general partnership or a limited company.

Many persons entrust the keeping of accounts to an accounting firm. The accountant must be an authorised or registered accountant. In addition to the ongoing keeping of the accounts, and the compilation of the annual report and completion of income tax returns, the accounting firm may also be able to assist with the submission of VAT returns, tax withholdings and employer's national insurance contributions. Information on accounting regulations may also be obtained by contacting the Tax Office.

A new Accounting Act has been in effect since January 1, 1999. As from 1999, annual accounts must be set out according to the new regulations. According to the new Act, it is not necessary for small, sole proprietorships (with assets of NOK 20 million or less and no more than 20 employees) or general partnerships (up to NOK 5 million turnover and no more than 4 employees) to prepare annual accounts. However, businesses in this group must prepare an annual report for income tax purposes in order to determine taxable income and assets for the year.

Until further notice, those obliged to keep accounts may elect to adhere to the regulations relating to the registration and documentation of accounting information (bookkeeping), as set out in the Accounting Act of May 13, 1977 and associated regulations. Such persons must also comply with the bookkeeping regulations issued since December 31, 1998 pursuant to the VAT Act. Current practice, for the time being, is that most businesses have elected to follow the old legislation.

A brief description of the old regulations is given below. For the new regulations, please see Chapter 2 of the Accounting Act and the regulations of May 6, 1999 relating to the accounting system, registration, documentation and storage of accounting information. The old regulations relating to bookkeeping may be found in the Act relating to the Obligation to Keep Accounts no. 35 of 1977, and in the VAT Act no. 66 of 1969 and associated regulations.

Accounts must be presented for audit when demanded by the tax authorities.

Which books must be kept?

As a minimum accounting requirement, the following books must be kept:

- cashier's ledger for cash receipts and payments
- a daily record of all other business contingencies
- goods withdrawal ledger
- account book (subsidiary ledger)
- general ledger

- year-end settlement ledger

If the business has cash supplies, the following must also be kept:

- cash report ledger

There are regulations relating to the possibility of keeping accounts in computerised form.

12.2 Verification of costs and income

The entry of each item in the accounts must be verified by a voucher. As a rule, the entries in the accounting ledgers shall be numbered consecutively with a reference to corresponding numbering on the vouchers. Costs must be verified by the original vouchers from the suppliers. If not, these cannot be deducted in the VAT account.

It is very important that sales are adequately verified. A sales document must be issued (invoice, note or bill) on the sale of goods or services to other taxable persons or to registered public institutions. The sales document cannot be issued prior to the supply of the goods or services unless the Ministry decides otherwise.

The sales document shall be numbered and dated, and shall contain:

- the name and address of the registered person that delivers the goods or provides the services;
- the organisation number issued pursuant to the Act relating to the Central Coordinating Register for Legal Entities, followed by the letters MVA;
- the name and address of the taxable person that is in receipt of the goods or services;
- a clear description of the goods or services;
- the quantity or extent of that which is delivered or provided; and
- the place to which the goods are delivered, or at which the service is performed.

The daily supply of goods and services shall be calculated according to the following layout:

Cash reserves at the end of the day		12 561
+ the day's outgoings, broken down into, for example, the following main items:		
Payments to suppliers	1 312	
Goods purchases in cash	683	
Salaries/wages, freight and other costs	"	
Loan instalments	"	
Personal self-supplies	<u>500</u>	<u>2 495</u>
	15 056	
- Cash in hand at the start of the day		<u>1 000</u>
Total receipts during the day		<u>14 056</u>
- receipts that are not the result of cash sales, broken down into, for example, the following main items:		
Customer payments regarding credit sales	207	
Proprietor's contributions to and outlays for the business	"	
Payments received for rent or other incidentals that do not relate to the business	"	<u>207</u>

Cash turnover for the day

NOK 13 849

If a sales document includes taxable supplies, zero-rated supplies or supplies that fall outside the scope of Chapter IV of the VAT Act, each supply shall be entered and totalled separately. The same applies if VAT is calculated on taxable supplies at different rates.

A taxable person who has supplies at the ordinary rate and supplies at the reduced rates of 14 or 8 per cent has taxable supplies to be assessed for VAT at different rates.

In the case of supplies to municipalities that can claim compensation for VAT on the purchase of certain services, the sales document must, in principle, contain the same information.

In the case of supplies of goods and services between registered persons, or of services to municipalities that can claim compensation for VAT, the sales document shall state the invoice amount exclusive of VAT (or, in certain cases, inclusive of VAT) and state the amount of VAT separately.

Cash turnover may be verified by dated and pre-numbered copies of sales slips, or dated cash roll receipts from cash tills.

The amounts displayed on this sales verification shall be reconciled with the actual sum of cash in the till, cheques, bank and credit card slips etc. The result of this reconciliation shall be entered in the cash report ledger. The statements must be dated and signed by the person who counted the cash etc.

Registered persons who have supplies on which VAT is calculated at different rates shall verify their cash turnover using a cash till, terminal or other equivalent system, or by means of copies of dated and pre-numbered sales vouchers. Sales must be recorded in such a way that it is clear which amounts are to be calculated at the various rates.

The table above shows how taxable persons who do not verify their daily cash turnover using dated and pre-numbered copies of sales slips, or dated receipts from cash tills, shall keep a book for the calculation of each day's turnover.

All withdrawals of cash or goods for personal or internal use, or for gifts, shall be entered. Withdrawals of goods shall be entered in a separate ledger or on a separate voucher. The goods withdrawal ledger shall also include the date of withdrawal and a description of the goods.

The withdrawal of goods or services for use in own business activities, and for which VAT shall be paid, shall either be recorded in the accounts or entered in a separate book.

12.3 Organisation number

Sales documents shall state the organisation number of the business followed by the letters MVA. Businesses that are in doubt as to which number shall be entered on the sales document because the registration number in the VAT register is not the same as the organisation number of the business should contact the Tax Office for clarification.

12.4 Closing of the accounts

The accounting year shall follow the calendar year. In connection with the annual closing of the accounts, an accurate stocktaking must be carried out and documented in stocktaking inventories.

Detailed regulations for procedures relating to stocktaking and valuation of stock can be obtained from the tax office on request.

12.5 Storage of the accounts

Accounts books, vouchers, stocktaking inventories, correspondence and other documents that can validate the bookkeeping, must be kept in Norway for at least 10 years after the end of the accounting year in question.

12.6 Duty of disclosure

Taxable persons are obliged to provide information about their business in order that the tax authorities can carry out their control procedures. Taxable persons are obliged to provide on request information relating to any financial transactions which they have had with other named taxable persons.

Taxable persons who award on-site building or assembly assignments to foreign businesses must, at their own initiative, submit information relating to the assignments and to persons who perform assignments relating to the main assignment (e.g. subcontractors). The information must be submitted to the Tax Office in the county where the work is performed as soon as possible after the contract has been signed, and no later than 14 days after the work has begun. The tax authorities are authorised to impose an ongoing daily penalty on anyone who does not comply with the obligation to provide information.

13 Appeals, applications for reductions and binding prior statements

13.1 Appeals

Decisions regarding the imposition of supplementary VAT can be appealed to the Board of Appeal for Value Added Tax. The appeal should be sent to the Tax Office.

Appeals against other decisions, such as a refusal to allow registration, can be appealed to the Directorate of Taxes. Such appeals should also be sent to the Tax Office.

13.2 Applications for reductions

The VAT Act provides for the opportunity to apply for the writing-off or reduction of VAT owed. According to the practice that has been established in such cases, exceptional circumstances are required for a VAT demand to be written off or reduced.

13.3 Binding prior statements

The Directorate of Taxes may, at the request of a taxable person or business, provide prior statements regarding the VAT-related consequences of specific dealings in advance of their implementation. This applies only when it is of critical importance to the taxable person or business to clarify these consequences prior to implementation, or where the Directorate of Taxes considers that the case is of public interest.

If so requested by the taxable person or business, such prior statements shall be legally binding if the dealings in question are conducted within the terms and conditions of the statement.

A fee shall be paid for a legally binding prior statement.

The Ministry of Finance

The Ministry of Finance is the supreme authority for taxes and duties. Many of the provisions within the VAT Act give the Ministry the power to establish regulations relating to VAT. This has been done on a number of occasions.

The Directorate of Taxes

The Directorate of Taxes has overall responsibility for tax administration and inspection. Among its duties, the Directorate guides the Tax Offices in their work, and ensures that the regulations relating to VAT are correctly and uniformly applied throughout the country.

The Tax Offices

The regional Tax Offices are responsible for the administration and inspection of VAT in the region. The Tax Offices keep a VAT register.

Registered persons shall submit regular VAT returns to the Tax Office, which also provides guidance regarding the tax regulations and assistance in the completion of the forms. The Tax Office checks VAT liable persons through, among other things, the ongoing inspection of the submitted returns and through on-site inspections (tax audit). In cases where the taxable person has failed to report the correct VAT amount, the Tax Office has the authority to determine the amount of VAT by discretion.

The tax offices keep records of the VAT statements of each registered person, and also have the authority to undertake the enforced collection of VAT amounts due.

Right of appeal

Decisions taken by a Tax Office, for example in cases concerning the obligation to register for VAT, can be appealed to the Directorate of Taxes as the higher tax authority. Appeals regarding supplementary taxation come under the **Board of Appeal for Value Added Tax**. The Directorate of Taxes is secretariat for the Board. Appeals are submitted via the Tax Office.

Directorate of Customs and Excise

The customs service is the tax authority in matters concerning VAT on imports of goods. The Directorate of Customs and Excise is the senior administrative body for district customs houses and is the appellate authority for matters relating to VAT on imports on goods.

District customs houses

The district customs houses are the local tax authorities in matters concerning the calculation and payment of VAT on imports. Taxable persons can apply to the district customs houses for credit for the payment of VAT on imports (customs credit).