Skatteetaten

Information for foreign employees:

Deductions for commuters 2010

Information for foreign employees staying in Norway for work purposes who commute to a home abroad.

Commuting

If, because of your work, you have to stay somewhere other than your real home and you visit this home regularly, we refer to you as a ‘commuter’. In such case, you may be entitled to a deduction for the extra expenses this entails for you, i.e. extra subsistence, accommodation and travel expenses in connection with visiting your home abroad.
These are called ‘commuting expenses’.

The main rule is that commuting expenses in connection with commuting to a home abroad are not deductible. However, the EEA Agreement ensures EU/EEA nationals who work in Norway the same rights as employees who commute within Norway. If you come from another EU/EEA country, you may therefore be entitled to a commuter deduction.

The EU/EEA area comprises the following states: Belgium, Bulgaria, Denmark, Estonia, Finland, France, Greece, Ireland, Iceland, Italy, Cyprus, Latvia, Liechtenstein, Lithuania, Luxemburg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, the United Kingdom, Sweden, the Czech Republic, Germany, Hungary and Austria.

Employees who commute from countries outside the EU/EEA area

You are not entitled to a deduction for extra expenses for subsistence, accommodation or visits to your home abroad.

If your employer pays such expenses for you, you must pay tax on such payments. If you stay in Norway for no more than 183 days during the course of a 12-month period (and maximum 270 days during a 36-month period), your employer may nonetheless pay such expenses without you being taxed on these amounts. The condition is that:

- you do not claim the standard deduction for foreign employees
- your real home is abroad
- you make a sufficient number of home visits

Employees who commute from countries within the EU/EEA area

Your home must be in another EU/EEA country if you are claiming a deduction for commuters.

Family commuter

If you have a joint home with children and/or a spouse who live in your home country, you are regarded as a commuter for tax purposes if your home is in another EU/EEA country. You must be able to present a marriage or birth certificate confirming the family relationship. In addition, you must be able to document a joint residential address in your home country.

Single (unmarried) commuters

If you are not a family commuter, you are classified as a single commuter. Cohabitants are considered single in this context. However, if you also live with your own children, you are classified as a family commuter.

If you are single, other requirements apply for you to be regarded as a commuter for tax purposes. Single people are deemed to be resident where they have 'independent housing'. If you have independent housing in Norway, you will be regarded as resident in Norway and will not be entitled to a deduction for expenses relating to visits to your home country. The housing in Norway is regarded as independent when:

- it is at your disposal for at least 12 months and you have access to it every day of the week
- the living area is at least 30 square metres
  - If there are several people living in the house/apartment, the area requirement increases by 20 square metres for each additional occupant over the age of 15
- it has running water and drains

You can claim a deduction for commuting expenses if you commute to a home in another EU/EEA country and the following requirements are met:

- you do not have independent housing in Norway
- you have independent housing in your home country, or are under 22 years of age at the end of the income year and commute to your parents' home
- you go home once every three weeks. Less frequent home visits can be accepted if there are special reasons for this, for example in cases of illness or poor finances.

You must also document your residential address abroad.

If you are under 22 years old and commute to your parents' home, you must be able to document the family relationship with a birth certificate. In addition, you must be able to present documentation of a joint residential address abroad and be able to substantiate the number of journeys between your home abroad and your place of residence in Norway.

You may also be regarded as a commuter even though your housing in Norway is deemed to be independent. The requirements are that:

- you have been registered as resident in the same place (municipality) in your home country for three years
- you do not let your home in your home country
- the housing in Norway is not more than half the size of your home in your home country

What deductions can I claim if I am regarded as a commuter?

If you claim the standard deduction for foreign employees, you cannot claim further deductions.

If you have paid the expenses yourself and are not claiming the standard deduction for foreign employees, you can claim a deduction for:

- Travel in connection with home visits calculated at a rate per kilometre. The number of kilometres is stipulated on the basis of the shortest travelling distance by road between your housing in Norway and your home in your home abroad. You must be able to document/substantiate the number of journeys. The rate for 2010 is NOK 1.50 per kilometre for up to 35,000 kilometre per year. For the number of kilometres in excess of 35,000, the deduction is NOK 0.70 per kilometre. You can claim a deduction for the actual cost of ferry and air travel. In such case you will not be given a deduction at the standard rate for the distance travelled by ferry and air.

- What you have paid for accommodation (rent costs). You must be able to present receipts for the amounts.
- Extra subsistence expenses at standard rates that are stipulated annually by the Directorate of Taxes. For 2010, the rate is NOK 189 per day. If it is not possible to cook food where you live, the rate is NOK 292 per day.

If your employer covered some of the costs, you can only claim a deduction for the costs you covered yourself. If, for example, you have free accommodation in Norway covered by your employer, you can claim a deduction for subsistence and for home visits as described above.

What will I be taxed on if my employer has covered all my costs, including expenses for visits to my home country?

If your employer has covered commuting expenses, the benefit of this is tax-exempt provided that you would have been entitled to deduct the expenses if you had paid them yourself. The same applies to any allowances received that do not exceed the rates for deductions. It is only any surplus on allowances that will be taxed as pay. In your Certificate of Pay and Tax Deducted, your employer must report the amount as a non-taxable allowance. This is called the 'net method'.

If your employer covered all your subsistence costs, either on the basis of receipts or by providing free board, and you receive this tax-free, you will be taxed for 'savings on household costs'. For 2010, the rate is NOK 79 per day. The savings on household costs have been taken into account in the deduction rates.

If you have a tax deduction card that is based on you using the standard deduction for foreign employees, your employer must deduct tax on the benefit you derive from having your commuting expenses covered. The employer may also treat the allowance as a taxable allowance in other cases. In such case, the employer must report the amounts as a taxable allowance in the Certificate of Pay and Tax Deducted. This is called the 'gross method'.

When you fill in your tax return, you must choose whether you wish to be taxed in accordance with the 'net method' or the ‘gross method’. You can choose this irrespective of which method your employer has used.

If your employer has reported an allowance as a taxable allowance, you can nonetheless choose the ‘net method’ in connection with the tax assessment. This means that you must change the amount in your tax return, so that it will only be any surplus on the allowance that is deemed to be taxable income. If the allowance has resulted in a deficit, you can deduct it. If you choose the ‘net method’, you cannot claim the standard deduction for foreign employees.

If it is more favourable for you to use the standard deduction for foreign employees, you can choose to be taxed on the benefit you derive from your employer covering the costs and/or on the allowance received (the ‘gross method’). You must in such case increase the income declared in your tax return by the amount of the benefit. If the item is completed in advance in your tax return, you must correct the amount of income entered. In such case, you must also claim the standard deduction for foreign employees.

What is the difference between the ‘net method’ and the ‘gross method’?

The ‘net method’ means that the allowance and/or benefit you derive from your employer covering the costs directly is neither included in your gross income (personal income) nor in your net income (general income). Any surplus on the allowance is taxable. The same applies to the addition for savings in household costs. You can claim a deduction for any deficit on allowances received.

The ‘gross method’ means that the entire allowance and/or benefit derived from the employer covering the costs directly is included in your gross income (personal income). You can then claim the standard deduction for foreign employees.

The calculation of deductions when the employer has covered board and lodging and home visits

If your employer has paid you a bigger allowance then the deductible amount, you must pay tax on the surplus.
If your employer has paid you a smaller allowance then the deductible amount, you can claim a deduction for the deficit.

An example of the calculation of a surplus/deficit on an allowance for board and lodging.
You will find the amounts in your Certificate of Pay and Tax Deducted. They are marked code 628.

Received as coverage of board and lodging		NOK 43,000
Documented rent (receipts available)	NOK -24,000	
Deduction for board: 203 days of absence x NOK 189	NOK -38,367	NOK -62,367
Deficit to be entered as a deduction under item 3.2.7 in the tax return.		**NOK -19,367**

If the allowance results in a surplus, it must be entered as income under item 2.1.4 in your tax return.

An example of the calculation of a surplus/deficit on an allowance for home visits.
You will find the amounts in your Certificate of Pay and Tax Deducted. They are marked code 724 and/or 725.

Allowance received for home visits			NOK 10,000
Distance from commuter's accommodation to workplace	180 x 40 km	= 7,200 km	
Distance from commuter's accommodation to home	35 x 400 km	= 14,000 km	
Total distance		= 21,200 km	
Distance deduction: 21,200 km x NOK 1.50 =			- NOK 31,800
Deficit before the non-deductible amount			= NOK 21,800
Non-deductible amount			- NOK 13,700
Deficit to be entered under item 3.2.9			**= NOK -8,100**

If the allowance results in a surplus, it must be entered as income under item 2.1.4 in your tax return.

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