



Tax Topic no 13 - Income Year 2009

unofficial translation

COMMUTERS WHO TRAVEL BETWEEN THE NORWEGIAN CONTINENTAL SHELF AND HOME ABROAD

The regulations apply to employees who are tax liable to Norway pursuant to section 2, cf. section 1 of the Petroleum Tax Act.

- **The standard deduction is 10 %**
- **The deduction is limited to NOK 40 000**
- **If the standard deduction is chosen, the same choice also applies to the spouse**

The right to claim personal- and family-related deductions for taxpayers with limited tax liability to Norway

A person resident in another EEA-state may be regarded as resident in Norway for tax purposes. This requires that the entire (or close to the entire - 90 %) of the taxpayers income from work, pension or other activity is taxable to Norway. For a married couple the total family income is to be taken into account to establish that the requirements are met.

Personal- and family-related deductions

- Documented expenses in connection with care of children (fx kindergarten). Max NOK 25 000 for one child born in 1998 or later. Is to be increased by NOK 15 000 per additional child
- A special deduction for old age and disability
- A special deduction for excessive medical expenses. Documented expenses in excess of NOK 9 180

Distinction between taxable commuting travel and business travel.

The distinction between commuting travel and business travel will be significant for the taxation aspect regarding the employer's payment of travel expenses. Business travel can be paid completely tax-free by the employer, provided that the payment does not exceed the real costs. This applies whether the payment is made directly (reimbursement against original vouchers) or through an expense allowance provided by the employer. This is independent of the employee being granted the 10 % standard deduction.

The employer's covering of expenses related to commuting travel is, on the other hand, fully taxable if the employee chooses to claim the 10 % standard deduction.

Business travel

The travel is mainly made in the interest of the employer. This means that the travel is connected with the profession and is for the purpose of carrying it on.

Travel from heliport to vessel/installation offshore is always considered as a business travel.

For those who meet the conditions that apply to commuter status, the first and last travel between the home abroad and the heliport are regarded as business travels. Which travels that are regarded to be the first and the last, must be considered in each case. As a general rule, a change in working-conditions will result in a new first/last travel. This may be the case for service company employees without a regular shift, who is sent to a different vessel/installation offshore each time.

Commuting travel

A travel between home abroad and heliport/meeting point. The travel is mainly made in the interest of the employee.

The employer must decide whether the travel is a commuting travel or a business travel and withhold taxes accordingly.



Central Office - Foreign Tax Affairs

Choice of gross-deal or net-deal method

Gross-deal method

All expenses paid by the employer covering board, lodging and travelling to a home abroad are liable to taxation. The employee may choose between the 10 % standard deduction and a deduction based on actual expenses which also includes personal and family related expenses – see above. With regard to travelling expenses, the deductible amount will be reduced with NOK 13 700.

Net-deal method

Expenses paid by the employer covering board, lodging and travelling are not liable to taxation with exception of any surplus from allowances received. The employee can claim a deduction for expenses covered by himself/herself. In addition he/she can claim personal and family related expenses, as explained above. With regard to travelling expenses, the amount deductible will be reduced with NOK 13 700. When applying this method, the 10 % standard deduction is not applicable.

Employees working on the Norwegian Continental Shelf

Free board on the Norwegian Continental Shelf is considered tax-free for employees with a personal/gross income not exceeding NOK 600 000. Tax-free board is taxable income (NOK 76) for employees with a personal/gross income exceeding NOK 600 000 independent of taxation method.

Seafarers

Seafarers are entitled to tax-free board - with the exception of free board when working on the Norwegian Continental Shelf and the personal/gross income exceeds NOK 600 000.

“Hyretillegg” for seafarers is tax-free, up to NOK 16 500 per year.

Employees resident within the EEA

Employees resident within the EEA, working on the Norwegian Continental Shelf, may choose between the gross-deal method and the net-deal method. If the gross-deal method is chosen, the taxpayer may choose the 10 % standard deduction or a deduction for expenses incurred from commuting. In addition, the taxpayer may, on certain terms, claim personal and family related deductions. This requires that the entire (or close to the entire - 90 %) of the taxpayers income from work, pension or other activity is taxable to Norway – see above.

When choosing the net-deal method, the employee is not entitled to the 10 % standard deduction but can be granted a deduction for commuting-expenses covered by himself/herself and personal and family related deductions, when the conditions are met.

Employee resident outside the EEA

Employees resident outside the EEA, working on the Norwegian Continental Shelf, may also choose between the gross-deal and the net-deal method. If the gross-deal method is chosen, the taxpayer is only entitled to the 10 % standard deduction.

When choosing the net-deal method, the employee is entitled to neither the 10 % standard deduction nor deduction for commuting-expenses paid by himself.

Seafarer's deductions

If the conditions are met, the seafarer's deduction may be granted regardless of choice of method.

January 2009