

Introduction

Credits may be claimed by persons deemed to be resident in Norway for tax purposes under Norwegian domestic law and any applicable tax treaties. If an income or capital item originating abroad is to be taxed in both Norway and abroad, an allowance may be claimed against Norwegian assessed tax for the tax that is paid abroad. In cases where the taxation is carried out in a country which has a tax treaty with Norway, credits may only be granted in cases where the tax treaty specifies that the income/capital may be taxed in the other country and that Norway must grant an allowance for the foreign tax against the Norwegian tax.

The rules concerning credits are laid down in Section 16-20 onwards of the Norwegian Tax Act and the Norwegian Ministry of Finance's Regulation No. 1158 of 19 November 1999. The rules also apply to credits in accordance with tax treaties. The form does not apply to claims for credits pursuant to Section 16-30 of the Tax Act.

Persons with income in addition to that covered by the credit method which is covered by the alternative exemption method and/or the exemption method with progression reservations must complete both form RF-1147 and the form 'Reduction in income tax on wages' (RF1150). In addition to income covered by the credit method, the same also applies to persons who are in receipt of wage earnings relating to work performed abroad with a duration of more than 12 months and who are claiming a reduction in tax.

Credits are limited to the lower of:

- The Norwegian tax calculated on the total amount of foreign income and/or foreign capital (calculated maximum credits), and
- The amount that has actually been paid in tax abroad during the same income year as the income/capital was liable for tax in Norway.

Credits will be divided into the following income categories:

- Income in connection with activity in low tax countries (see Section 10-63 of the Tax Act, and income taxed in accordance with the provisions of Sections 10-60 to 10-68 of the Tax Act, or
- Other foreign income

Credits for foreign withholding tax on dividends, interest and royalties, etc. are limited to the tax that the source country may claim under the tax treaty with Norway. If the withholding tax that has been deducted

exceeds the tax that may be claimed under the tax agreement, an application for a refund must be submitted in the source country for the excess withholding tax.

Credits for foreign income tax will be offset against Norwegian tax on personal income and/or general income, depending on which tax basis the foreign income comes under. Credits for foreign wealth tax will be offset against Norwegian wealth tax. No credits are granted for National Insurance contributions.

The determination of credits is automated and takes place in connection with the processing of tax assessments. The calculation of the maximum credit amount assumes that the income, costs, capital and debt are split between Norway and abroad. The part of the income and costs declared in the tax return that is allocated to the foreign country is specified using this form. The form is an obligatory attachment to the tax return if a claim for credits is being made. Personal allowances and, where applicable, tax allowances must not be entered in the form, but will be taken into consideration in connection with the calculation of the maximum credits.

Concerning spouses

In cases where both spouses have incomes covered by the credit method, both spouses must complete and submit a separate form. Spouses who are assessed separately or jointly for the division of tax will be considered individually in connection with the calculation of the maximum credits.

Concerning business income

Form RF-1149 'Business income taxed abroad' must be used in connection with the specification of business income for sole proprietorships to be allocated abroad in accordance with the direct method.

Partners in businesses assessed as partnerships

In the case of businesses assessed as partnerships, the business is obliged to complete and submit form RF-1145 'Deduction for tax paid abroad by a company - credits' together with its return, and to inform the individual partner of his or her share of the company's foreign income and capital. In cases where the partner is a natural person, this person must submit a claim for credits by completing RF-1147.

Documentation

In connection with claims for credits, documentation must be submitted as an attachment to the tax return verifying that the amount for which credits are being claimed:

- Constitutes foreign tax for which an allowance is permitted against Norwegian tax,
- Has been paid abroad, and
- Constitutes the final tax from an ordinary taxation abroad.

The tax office may require further documentation of income, costs and capital abroad, including financial statements for foreign activities. The tax office may also request that the documentation be submitted as a notarised copy and/or together with a translation into Norwegian made by an authorised translator.

Translation of foreign currencies into Norwegian kroner

Income and capital in foreign currencies must be specified in both the foreign currency and Norwegian kroner (NOK) before they are entered in the tax return/income statement.

Persons who are not obliged to keep accounts may use the exchange rate at the time of the transaction or an annual average exchange rate. Persons who are obliged to keep accounts are generally required to translate income and costs according to the exchange rate as of the time of the transaction. Persons who are obliged to keep accounts may instead use monthly average exchange rates insofar as this is in accordance with Norwegian accounting law.

Taxpayers who use a functional currency other than Norwegian kroner (the currency to which the company's financial activity is largely linked) as their accounting currency in the annual accounts (see Section 3-4 of the Accounting Act) must convert to Norwegian kroner for tax purposes. Each item in the forms must be converted to Norwegian kroner, and the fiscal result must then be calculated in Norwegian kroner. There is no need to calculate the fiscal result in the functional currency and then convert it to Norwegian kroner (the net income principle). However, if an individual item in a form consists of the total of several transactions, the conversion obligation will only apply to the total, not the individual underlying transactions. The conversion to Norwegian kroner must be carried out so that the fiscal result is closest to what would have been obtained had the accounts been kept in Norwegian kroner. For more information, see Section 4-2 of Regulation No. 1558 of 1 December 2004.

The exchange rate as of 1 January in the year after the income year must be used for translating the value of capital and liabilities. The tax office may permit a different exchange rate to be used for the translation if

it is documented that a significant part of the foreign income was exchanged at a different time and at a different exchange rate than that which follows from the translation under the rules above.

Exchange rates can be found at www.norges-bank.no

Deadlines

If an entitlement to credits cannot be credited before expiry of the deadline for submitting the tax return in the year in which the foreign income and/or capital is liable for tax in Norway, the claim must be presented no later than six months after the final tax has been determined abroad. Claims for allowances for foreign tax cannot be presented later than ten years after expiry of the year in which the foreign income/capital was liable for tax in Norway.

Use of information in RF-1147 by other government bodies

In order to coordinate and simplify the submission of statements by businesses, the information that is given in this form may also be used either in full or in part by other government bodies who are authorised to collect the same information (see Sections 5 and 6 of the Norwegian Reporting Obligations of Enterprises Act). Information regarding any coordination may be obtained by contacting the Register of Reporting Obligations of Enterprises by telephone on (+47) 75 00 75 00 or the Directorate of Taxes by telephone on (+47) 22 07 70 00.

Concerning the use of plus or minus signs in the form

All amounts should be entered without the plus or minus sign.

Completion of the items in the form

You must specify which parts of the income and costs are of foreign origin where they have been entered in the tax return or income statement. Foreign income refers to income originating abroad which is liable for tax in Norway under Norwegian domestic law and any tax treaty, and which is also taxed abroad. Income that is exempt from Norwegian taxation under a tax treaty because the exemption model is to be used, must not be included in the foreign income, even in cases where the income is taxed abroad.

Income items will generally be allocated using the 'direct exemption model', i.e. the income must be attributed to foreign income or Norwegian income depending on where it was earned.

Item 1 Salary earned abroad

Under this item, you should declare any salary, fees, payments in kind and other reimbursements for work performed abroad that have been entered in item 2.1.1 of the tax return and that are covered by the credit method.

You must state the country in which the income was earned and the tax amount in the foreign currency. You must also specify the currency code and tax amount in Norwegian kroner.

Item 2 Pensions from abroad

Under this item, you should declare gross pension income and National Insurance benefits from abroad that are included in item 2.2.2 and 2.2.3 of the tax return. You must also declare disability benefits from abroad under this item, cfr. item 2.1.9 of the tax return. Place a cross beside the type of income concerned and the foreign tax paid. The amounts must be specified in both the foreign currency and Norwegian kroner.

Item 3 Share dividends from a foreign company

Under this item, you should declare share dividends from foreign companies. The gross dividend before any deductible tax-free return must be specified. Specify any foreign tax paid. The amounts must be specified in both the foreign currency and Norwegian kroner.

Item 4 Other foreign capital income

Under this item, you can for example declare taxable gains in connection with the sale of shares in foreign companies, income from the leasing of foreign property and gains from the sale of foreign residential and holiday property, etc. Specify what the income relates to, and the item in the tax return under which the income has been entered. Specify any foreign tax paid. The amounts must be specified in both the foreign currency and Norwegian kroner.

Item 5 Business income/losses and personal income from foreign sole proprietorships

Under this item, you must declare the part of the personal income calculated in item 1.6 of the tax return attributable to abroad and that has been allocated to the owner of the sole proprietorship. For owners of sole proprietorships, the calculated personal income in item 1.23 of RF-1224 'Personal income from sole proprietorships' must be allocated proportionally between income in Norway (see item 9930 in income statement 1 (RF-1175), or item 0999 in income statement 2 (RF-1167)) and foreign income (see item 4 in RF-1149 'Business income taxed abroad').

You must also declare business income or loss attributable to abroad. The amounts must be specified in both the foreign currency and Norwegian kroner.

Item 6 Net business income/deficits and remuneration for work from partnerships with business activity abroad

Under this item, you must declare remuneration for work in item 1.7 of the tax return which is attributable to the foreign country and which has been allocated to a partner in a business assessed as a partnership (see item 1160 and item 1162 of RF-1221 B 'Partner's statement of own capital and income in enterprises assessed as partnerships').

A partner in a business assessed as a partnership must also enter their share of the company's business income or deficit attributable to the foreign country here. The company may provide information concerning the amount. The share of the remuneration for work attributable to the foreign country must also be included in these latter amounts.

Specify any foreign tax paid. The amounts must be specified in both the foreign currency and Norwegian kroner.

Item 7 Costs directly allocated to foreign income

Under this item, you should specify the costs that have been entered in the tax return, and that can be directly linked to foreign income. The fact that a cost can be directly allocated to an income means that the cost was necessary in order to earn the income.

Under items 7.1 – 7.7 you should enter one cross or one amount only.

If the entire cost in items 7.1 – 7.3 is attributed to income either in Norway or income abroad you should put a cross in the field for Norway or abroad. In cases where the cost was associated with both income in Norway and foreign income you should use the field for amounts related to income from abroad. In such cases you should not put a cross in the field for Norway or abroad.

If the entire cost in items 7.4 – 7.7 is attributed to income either in Norway or income abroad you should put a cross in the field for Norway or abroad. In cases where the cost was associated with both income in Norway and foreign income you should put a cross in the field for proportional allocation, or use the field for amounts related to income from abroad.

Other allowances that can be claimed as being directly allocated to foreign income

Under items 7.8 – 7.11 you should put a cross in the field for Yes if the cost is attributed to the foreign income. If the cost is attributed to the Norwegian income you should put a cross in the field for No. For those items where you have put a cross in the field for Yes you must give more information under item 12 Additional information.

Special allowances due to a disability pension must be allocated to the foreign income in their entirety when the disability pension is being paid from abroad.

Carryforward losses in businesses in item 7.10 must be allocated in accordance with the direct allocation method and be allocated to the foreign country in cases where the loss legitimately arose there.

Item 7.11 concerns interest on debt directly attributed to business in another EEA state.

Self-employed persons with activities in EEA countries may nevertheless allocate interest on debt according to where the income was legitimately derived from or where the cost

was legitimately incurred in cases where the taxpayer can verify that 90 percent or more of the interest on debt relates to the taxpayer's activities in Norway. If you choose this you must put a cross in the field for No.

Interest on debt must be allocated according to the direct method in cases where 90 percent or more of the interest on debt is related to the taxpayer's activities outside Norway. In such cases you must put a cross in the field for Yes. If so, the interest on debt should be stated in item 2.2 of the form RF-1149.

Other allowances that is not directly allocated to Norwegian or foreign income

Interest costs will normally be allocated in accordance with the net income principle. This allocation will be carried out by the tax office.

Spouses may choose which person will claim an allowance for interest costs. The way in which the spouses allocate the interest costs between themselves may be important in connection with the calculation of the maximum credit in certain cases when only one of the spouses is claiming a credit.

As regards other costs besides interest on debts, the tax office may exceptionally permit other allocation keys to be used. In such cases, documentation must be enclosed to verify that allocation using a different allocation key produces a reasonable result according to ordinary accepted business and economic principles, and that the allocation

has been applied consistently. Use item 12 'Additional information'.

Item 8 Capital abroad

Under this item, you should enter capital which is taxed abroad and which has been entered under item 4.6 of the tax return.

You must state the country in which the capital is located and the wealth tax paid in the foreign currency. You must also specify the currency code and tax amount in Norwegian kroner.

Item 9 Partner share of foreign capital/debt in businesses assessed as partnerships

A partner in a business assessed as a partnership must enter their share of the company's capital and debt attributable to abroad under this item. The amount must also be specified in items 4.5.4 or 4.8.3 of the tax return. The company may provide information concerning the amount.

You must state the country in which the capital is located and the wealth tax paid in the foreign currency. You must also specify the currency code and tax amount in Norwegian kroner.

Item 10 Carryforward of credits

In cases where credits cannot be deducted in full from this year's tax settlement, they can be carried forward as a tax credit for up to five years under each of the income categories. If a person has credits to be carried forward that relate to several previous years, credits carried forward from a previous year must be

deducted in their entirety before any credit is given for tax paid abroad in a later year. An allowance will be granted for foreign tax for the current year before any allowance for foreign tax from previous years is granted. The total allowance for the individual year in each of the income categories may not exceed the maximum credit for this year.

Item 11 Reversal of credits

A right to reverse unused credits has been introduced (see Section 16-22(2) of the Tax Act). This means that foreign tax for which an allowance has not been granted in this year's tax settlement may be reversed as a tax allowance for previous years for each of the income categories in Section 16-21(1)(a) and (b). The total allowance for previous years in each of the income categories may not exceed the maximum credit for this year. Reversal is subject to the condition that the taxpayer can substantiate that the person concerned would not have been liable for tax in Norway for such income originating abroad for a period of five consecutive years.

Item 12 Additional information

Under this item, you can specify any other information, including contributions received and non-employment related annuities, etc. that have been entered in item 2.6 of the tax return. Any back payment of wages and pension must be entered in items 1 and 2 of the form respectively.

If you in items 7.8 – 7.11 have put a cross in the field for Yes you must give more information under item 12 Additional information.