

Country Tax Update
Norway

PwC Nordic
FS Tax & VAT Event

OSLO, 25-26 OCTOBER 2017



Country Tax Update

Norway

Norway Tax Update - Agenda

1. General overview
2. Financial Taxes
3. Capital Income Tax



1. General overview

Norway: General overview

- The State Budget Plan 2018 was published 12 October 2017 and will be decided by the Parliament before Christmas
- Main issues:
 - Net income tax rate: reduced from 24% to 23% in accordance with the tax settlement in the Parliament of May 2016
 - Share income tax (dividends and losses) for individuals: increased from 29,76% to 30,59%
The Tax Exemption Method for corporates was not changed: 0% tax for gains/losses and 0%/0,69% on dividends
- Net Wealth Tax: valuation for «working capital assets» (shares and operation factors) increased discount from 10% to 20%

Norway: General overview

- What DID NOT turn up – and probably yet to come
 - Amendments in the debt interest capping rules
 - Proposal to legalising the «substance over form» rule
 - Ongoing restructuring processes in order to use SPVs for single properties in order to be able to utilise the Tax Exemption Method going forward
 - Tax residence for all Norwegian registered entities regardless of the location of the management



2. Financial Taxes

Norway: Financial Taxes

- The tax rate for Financial (Activity) Tax: still 25% even though the general rate was reduced to 23%. Hence the difference will be doubled
 - No other changes were proposed

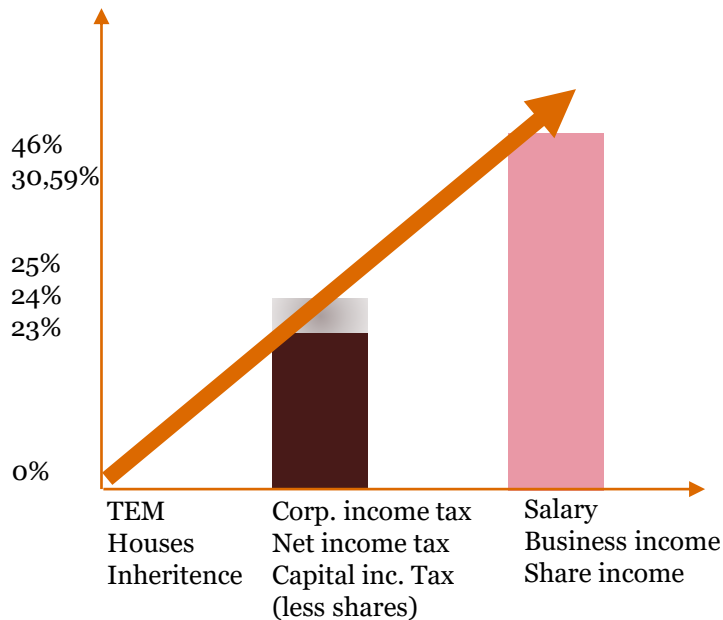
Norway: Financial Taxes

- What DID NOT turn up – and probably yet to come
 - New tax regime for **insurance companies**. A public consultation paper will be issued «during the autumn». The last paper was issued in May 2015
 - Due to Solvency II. Unbalanced effects for non-life insurers and for life insurers for unrealised securities between the clients' assets and the company's assets
 - Mutual marine insurers operating in a global market will receive specific tax rules
 - Rules for unifying Financial Tax (payroll tax) for financial groups



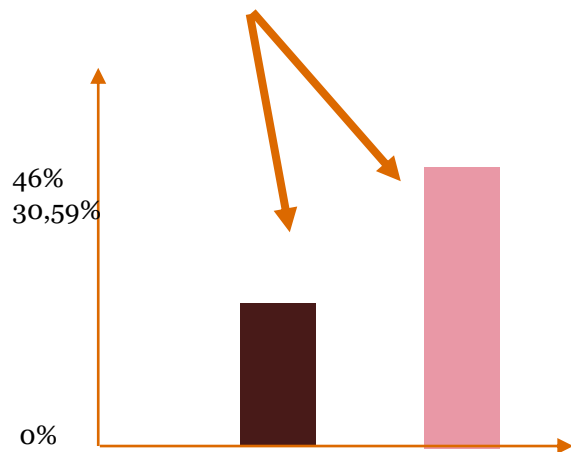
3. Capital Income Tax

Norway: The tax levels



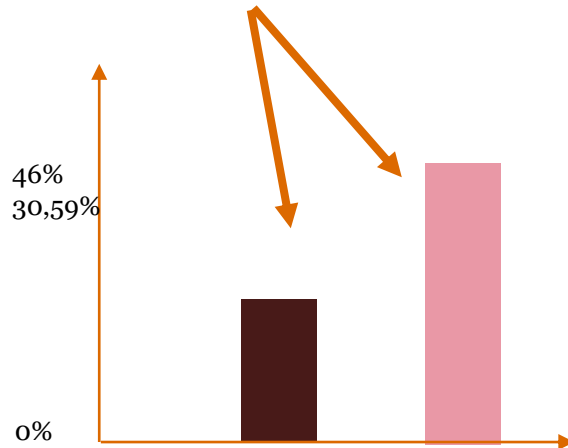
- Capital income tax rates:
 - Share income
 - Tax Exemption Method (TEM) for coprorates: 0%/0,69%
 - Individuals: 30,59% plus the tax paid at the corporate level of 23%; resulting in a total of 46% tax. (A tax shield rule apply with deduction for risk-free interest)
 - Other capital income/objects: 23%

Norway: Securities Funds



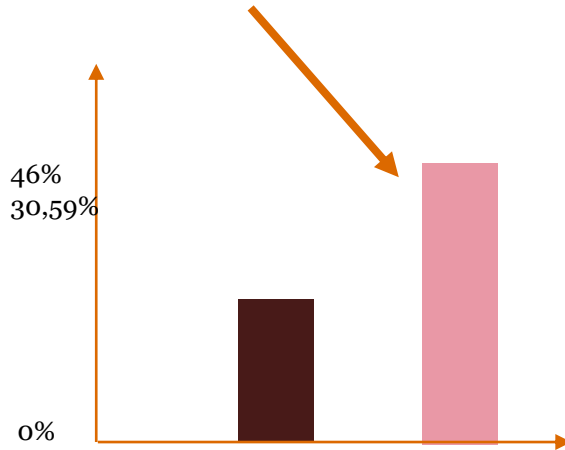
- New rules in effect from 1. January 2017
- A look through approach: the share/equity portion is determined based on the Net Asset Values as per 1. January
 - Share portion:
 - > 80%: 100% shares
 - < 20%: 0% shares
 - Between 80 and 20%: proportional split

Norway: Capital Insurance (unit linked)



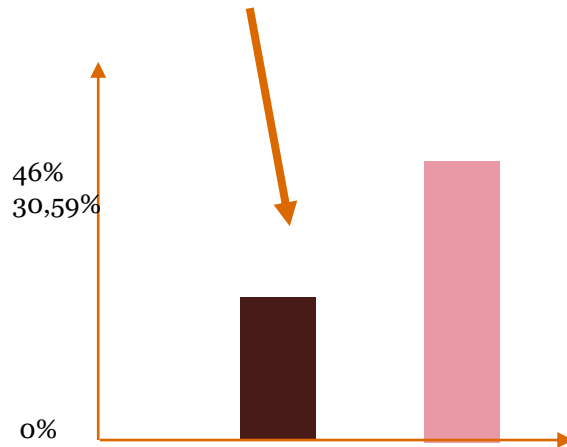
- New rules in effect from 1. January 2019
- Low insurance element < 50% death coverage:
 - Taxation very similar to Securities Funds (prev. slide)
 - Specific transition rules applies
 - Potential to extend the TEM to shares outside of the EEA for corporate policyholders
- High insurance element > 50% death coverage:
 - Taxed as capital income (23%) regardless the underlying assets
 - As the current taxation

Norway: Share Savings Account (ASK)



- New rules in effect from 1. September 2017
- Available for listed shares
- Tax deferral for net profits until withdrawal exceed the paid-in capital to the account
- Dividends are consecutive taxed as shares (30,59%)
- Exit tax on emigration? Our view: No, but may be challenged by the tax authorities
- Transition rule for 2019: gains are not taxed by contribution to ASK. Losses may be deducted

Norway: Individual Pension Savings (IPS)



- New rules in effect from 1. November 2017
- Annual deductible amount increased from NOK 15.000 to NOK 40.000
- No tax in the period of saving
- Payments are taxed as capital income (23%)
- No Net Wealth Tax on the NAV during saving