INFORMATION ABOUT FOREIGN COMPANIES OPERATING IN NORWAY

A Norwegian Registered Foreign Business (NUF) is a department/branch of a foreign company that operates in Norway. These NUFs are subject to a number of regulations in Norway. This information sheet is designed to shed light on the key conditions relating to start-up and operation in Norway. This is only a brief introduction to the main rules that will apply to the vast majority of those starting up a business in Norway and does not intend to be complete. If you have any questions in relation to this, or if you would like answers to specific questions, please contact us.

General

Foreign companies that operate commercial business in Norway or on the Norwegian continental shelf must register with the Norwegian Register of Business Enterprises. The company will then be given a Norwegian organization number.

For a company to be considered a NUF in Norway, the foreign company must operate commercially in Norway. This means, amongst other things, that the activity operated in Norway must be designed to return a profit and must be of certain duration.

In practice, activities that are carried out for more than 6 months during a 12-month period normally meet the duration requirement.

If employees of the foreign company carry out work in Norway for a certain length of time, this work can be considered to be commercial business which must comply with the rules on NUFs as indicated in this document.

Letters, notifications and other documents (such as outgoing invoices) for the NUF must state the Norwegian organization number and the register in which the NUF is registered in (Norwegian Register of Business Enterprises). Information about the name, company form, head office of the main company must also be given, along with the foreign organization number. Where the company is under liquidation, this must also be indicated.

The relevant company law in the country in which the company is established will determine the limitation of liability of a NUF.

Obligation to keep accounting records

The Norwegian Accounting Act states that foreign companies that operate or are involved in business in Norway or on the Norwegian continental shelf, and which are liable to pay tax to Norway under Norwegian domestic legislation, have an statutory obligation to keep accounting records in Norway and must comply with Norwegian accounting rules.

Financial year

In general the Norwegian financial year is equal to the calendar year. Companies subject to reporting requirements that are a department/ branch of a foreign company may use a different financial year to the one specified in order to retain the same financial year as the foreign company.

Currency

The reporting currency for the annual accounts must be Norwegian Crowns (NOK) or the currency with which the company's business is primarily associated (functional currency). NUFs that use a functional currency as the reporting currency in the annual accounts must convert this into Norwegian Crowns for tax purposes. A NUF's annual accounts may be presented in Norwegian Crowns, Euros or the reporting currency.

Language

The annual accounts and annual reports must be translated into Norwegian, Danish, Swedish or English.

Accounting

Those subject to reporting requirements are also subject to bookkeeping requirements and must comply with the Norwegian bookkeeping act and regulations. Norwegian bookkeeping acts and regulations stipulate a number of requirements in terms of documentation and audit trail. The most important are indicated below, but there are additional requirements for the following industries:

- Building and construction
- Other service businesses
- Restaurants
- Hotels
- Hairdressers, hair care and beauty care
- Etc.

Numbering of vouchers

A NUF must have its own number series for all types of vouchers. The vouchers may not be a part of the foreign company's voucher numbering system.

Outgoing invoices

There is a number of requirements for the content, itemization and numbering of sales documents. Sales documentation must be prenumbered on printed forms or using computer-allocated numbers. A NUF must have its own number range so that it is possible to check the completeness of income. There are separate requirements for cash sales. Furthermore the seller´s name and organization number, followed by the letters MVA (if the enterprises registered for VAT) must be shown on the invoice.

Specifications

There are requirements for a number of specifications to be prepared, among others bookkeeping specifications, account specification, customer specification and supplier specification need to be mentioned. For those with a business that is subject to VAT, a specification showing outgoing and incoming VAT, as well as the basis for each period, amongst other things, should be possible to prepare. This specification must be at account level and a distinction must be made between the different rates. The specification must also show tax-free sales and withdrawals. It must also be possible to identify outgoing tax for each transaction. The specification is subject to retention requirements.

Retention

As a general rule, all documentation must be retained for 5 years/ 3,5 years after the end of the financial year. Accounting information that is initially available electronically must be available electronically for 3 years and 6 months after the end of the financial year. This does not apply for entities not exceeding 5 million NOK turnover.

As a general rule, accounting documentation must be kept in Norway for the entire retention period. NUFs that file accounts abroad must transfer their accounting documentation to be stored in Norway within one month of approving the annual accounts and no later than seven months after the end of the financial year. The documentation might either be retained in paper or electronically. However, if it is preferred to retain the documentation electronically, entities from the northern countries have to report this to the directorate of tax. Entities from other countries need to file for dispensation with the directorate of tax in case of electronical retention in the home country. It is in both cases required that the documentation at all times has to be electronically accessible. Accounting documentation subject to retention requirements must be kept in an organized manner and must be adequately protected against damage, loss or amendment. Accounting documentation must be accessible in legible format and it must be possible to print it out on paper for the duration of the retention period.

Language

Specifications relating to mandatory accounts or recorded details that are necessary to prepare such specification of mandatory accounts and documentation recorded and deleted details, documentation of the audit trail, e.g. and documentation of the balance sheet must be in Norwegian, Swedish, Danish or English. No language requirement is placed on purchase documentation.

Tax liability

A NUF is liable to pay tax to Norway for the business carried out in Norway. The deciding factor regarding tax liability is where the business is carried out and not where the company's main office is registered. Where there are tax treaties in place, the tax liability is governed by the interpretation of the term "permanent establishment", which places somewhat stricter requirements on tax liability to Norway than the Norwegian domestic law. In instances where all business takes place at the NUF, i.e. the foreign company is only registered abroad, but all operations and the actual management of the company (Board of Directors) are in Norway, the NUF may be considered to be generally liable to pay tax to Norway. This means that the NUF will be liable to pay tax to Norway on all income earned (global earnings principle).

The NUF, will in such instances, be considered equivalent to an ordinary Norwegian limited company.

In other cases, the NUF will only be limited tax liable, which means, it will only be liable to pay tax to Norway for the income related to the business operated in Norway. In such cases, an assessment must be made of which income and expenditure can be allocated to the activities carried out in Norway.

Tax liability, nevertheless, triggers the obligation to submit a tax return with enclosures to Norway for the business operated in Norway. The deadline for submitting the tax return for electronic submission through the official internet portal of the Norwegian authorities ALTINN is 31st May of the year following the calendar year.

As of 2015 the tax return submitted in paper are not accepted and will be regarded as not submitted.

In order to be able to submit electronically, the person registered as the Chairman of the Board or the Managing Director must have a Norwegian personal ID number or a D-number if the person is a foreign national.

If a NUF is tax liable to Norway and fails to submit the mandatory tax return with enclosures, this may result in a tax assessment based on an estimate being made of income and any assets, as well as loss of the right of appeal, additional tax, penalty taxes as well as interest.

Transfer pricing

The NUF must provide information about transactions and accounts with group companies, where these transactions have a fair value in excess of NOK 10 million or where accounts are in excess of NOK 25 million. The rules apply to both international transactions and internal transactions within Norwegian companies. Detailed rules and documentation requirements have been drawn up for these kinds of transactions.

Submission requirements

The NUF might be obliged to submit the annual accounts, annual report and auditor's report to the Norwegian Register of Company Accounts.

If the NUF is regarded as tax liable – it is obliged to submit the above-mentioned documents. If the turnover does not exceed 5 million NOK and the length of the activity does not exceed 6 months it might be exempt. This should however be clarified.

In case of the obligation to submit annual accounts, reports and auditor´s report, these must be drawn up in Norwegian. In addition, the annual accounts, annual report and auditor's report for the foreign company of which the NUF is a part of must also be submitted. Accounting documentation relating to the foreign company must be prepared in or translated into Norwegian, Danish, Swedish or English.
The deadline for submitting annual accounts is 31st July of the year following the financial year (provided that the calendar year is used), only electronical submission is accepted.

Audit requirement

A NUF is required to undergo an audit if the total operating income exceeds NOK 5 million. Where the annual accounts show an operating income in excess of this limit, the audit requirement shall apply to the following financial year. A Norwegian auditor must be used for this. In addition to the auditing of the annual accounts and some sections of the annual report, an audit requirement in Norway involves the following:

- The auditor must provide a positive confirmation that the management has fulfilled its requirements to ensure proper, comprehensive registration and documentation in accordance with Norwegian bookkeeping law and regulations (bookkeeping regulations, see above).
- The auditor must sign off income statement and reconciliation of reported and booked salaries that are statutory enclosures to the tax return. One document confirms the key figures in the tax return and the other document confirms the reporting of salaries, other payments that are subject to reporting, advance deductions and accounting of the same payments and treatment of withholding tax; see below.

Value-added tax

A NUF is subject to the Norwegian Value-Added Tax Act in the same way as other Norwegian companies. In the contrary to the rules known in the EU/EFTA, a NUF needs for the time being to be registered through a VAT-representative. This does also apply, if a foreign company uses foreign subcontractor, carrying out services in Norway. The reverse-charge mechanism is only applicable, if the services provided may be remotely delivered from outside Norway. This would for example be the case of hiring out of labour.

The registration threshold is NOK 50,000 during a 12 month period. Information must be declared bimonthly.

Where revenue is lower than NOK 1 million, an application can be made to submit information once a year.

The VAT declaration needs to be submitted bimonthly electronically through the internet portal ALTINN.

Further reporting obligations

RF-1199 reporting of contract/employees/subcontractors/Payroll reporting withholding tax deductions and employer's social security tax contributions

Where the NUF has employees working in Norway, the company will be subject to a number of regulations in relation to this.

RF-1199 reporting
Every contract, any subcontract and employee awarded to a foreign company has to be reported not later than 14 days after the work is picked up in Norway to the Central Office for foreign tax affairs (COFTA) according to § 7-6 of the tax administration act provided that the work is performed

- On a site for building and assembly work in Norway, or
- On a site that is under the clients control, or
- On the Norwegian continental shelf.

This reporting is mandatory irrespective whether the contractor and the employees are liable to tax or not.

Reporting of pay "A-Melding"
The "a-melding" must be submitted by all who pay salaries, pensions and remunerations through the internet portal ALTINN.

The a-melding collects contains information about salaries and employments. This information is collected in one report, the a-melding, and must be submitted electronically by all who pay salaries, pensions and other remunerations at least once every month not later than the 5th of the following month.

Withholding tax
The employer is obliged to withhold tax according to § 5-4 of the Norwegian Taxpayment Act, as well as pay bimonthly withholding tax and social security contribution 6 times a calendar year. Keep in mind that there are strict obligations concerning the handling of the withholding tax. In general, companies running a business in Norway have to open a tax withholding account in a Norwegian bank or in the Norwegian branch of a foreign bank. Alternatively, a bank guarantee can be issued.

Social security contribution
In general, employees carrying on work in Norway will be a member of the Norwegian National Insurance Scheme from their first day of work.

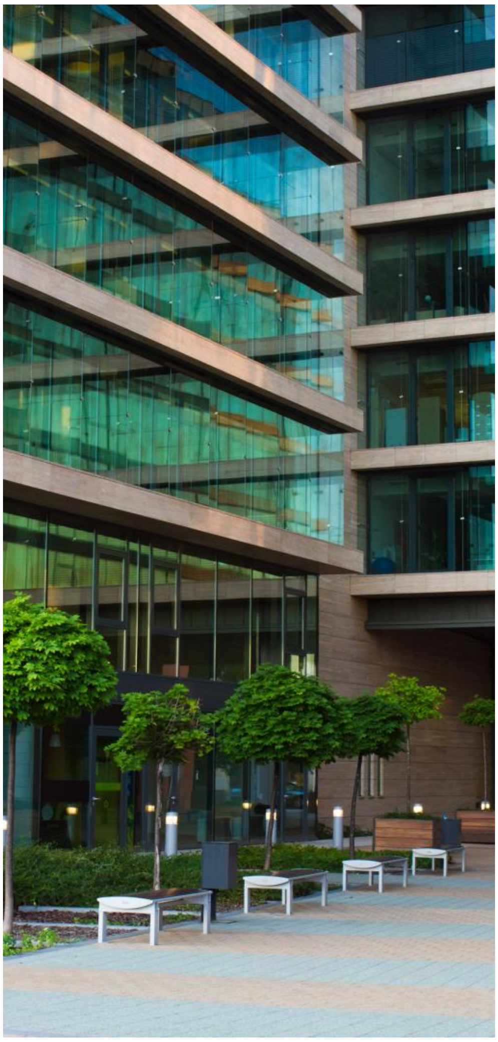
However, the posted employees from the EU countries could be exempt from the membership by delivering a so called A 1 (according to the regulation 883/04) Certificate.

If the employee is a citizen from a non-EU country there might be a social security agreement with Norway in place and a so called CoC (certificate of coverage) might be issued by the social security provider in the country of residence.

Norwegian Labour law applies

According to the regulation for posting workers the Norwegian work environment Act (Arbeidsmiljøloven), as well as the holiday act, employment act and the gender equality act do apply.

Keep also in mind that wage agreements might apply.



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