

This report provides helpful information on the current business environment in Norway. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.



Global Banking Service

Report on Norway

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Important to Know

Official language

› Norwegian

Currency

› Krone (NOK)

Bank holidays

2010	
January	1
April	1, 2, 5
May	1, 13, 17, 24
December	25, 26

Source: www.goodbusinessday.com.

Types of Business Structure

Under Norwegian law, there are several business structures available. Some require a minimum amount of share capital to be paid up within three months of the business being established. A financial institution must hold the paid share capital in a restricted account until the business is legally established.

Public limited liability company

ASA (*Allmennaksjeselskap*). This is a company whose shares are not registered to their owners and are tradable on a public stock market. This requires a minimum paid up share capital of NOK 1 million. An ASA must have at least three board members. Both genders must be represented on a board according to detailed rules. Depending on the number of employees in an ASA, some board members may be elected by them. An annual audit is required.

Private limited liability company

AS (*Aksjeselskap*). This is a company whose shares are registered to their owners and therefore are not publicly tradable. This requires a minimum share capital of NOK 100,000. These are formed principally by individuals, and small and family-owned businesses that do not need to raise public capital. An AS must have at least three board members if capital exceeds NOK 3 million. Depending on the number of employees in an AS, some board members may be elected by them. An annual audit is required.

General partnership

ANS (*Ansvarlig selskap*). In a general partnership, all partners have full and joint liability. This requires no minimum share capital.

General partnership with apportioned liability

DA (*Selskap med delt ansvar*). In a DA, each partner is only directly liable for his/her relative ownership in the company. This requires no minimum share capital.

Limited partnership

KS (*Komandittselskap*). In a limited partnership, some partners enjoy limited liability (*komandittist*) although they are not permitted to exercise managerial control. Other partners are considered general partners (*komplementar*) and have unlimited liability. This requires the *komandittist* to pay up NOK 20,000 (of which at least 20% must be paid before the registration of the business) and the *komplementar* must contribute at least 10% of the equity.

Cooperatives

BA (*Selskap med begrenset ansvar*). This a limited liability company based on a cooperative structure.

Other organizational types

A *Societas Europaea* (SE) is a European public limited company, which can be established in any European Economic Area (EEA)* member state. It must maintain its registered office and head office in the same country, and it is subject to the company law in that country.

*EEA countries include those of the European Union and three of the four European Free Trade Association (EFTA) member countries (Iceland, Liechtenstein and Norway).

Branches

Non-Norwegian companies are entitled to establish a branch office in Norway. A branch is known as a Norwegian Registered Foreign Company (*Norskregistrert utenlandsk filial* — NUF). A branch's activities are subject to Norwegian company law, although it is considered part of the company's head office and therefore not a separate legal entity. Branches require no minimum share capital. To open a branch, a company must file a number of documents with the Norwegian Register of Business Enterprises.

Opening and Operating Bank Accounts

Residency

To be considered resident, a company must be incorporated under Norwegian law or have its effective management located in Norway.

Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (NOK) accounts outside Norway and foreign currency accounts both within and outside Norway.

Non-residents are permitted to hold local currency and foreign currency accounts in Norway.

All local currency accounts are fully convertible into foreign currency.

Anti-money laundering and counter-terrorist financing rules

- › Account opening procedures require formal identification of the account holder.
- › Beneficial owners must also be identified.
- › All legal entities are required to produce documentary evidence from the official register of companies. Any individual that represents either a registered or a non-registered entity must be verified.
- › All financial institutions have to identify clients for all transactions equal to or exceeding NOK 100,000 in a single transaction or series of linked transactions.

Supplied by BCL Burton Copeland (www.bcl.com). Data as at July 2009.

Special purpose accounts required by local regulation

None.

Value-added tax (VAT) on banking services

Under Norwegian law, banking and financial services are exempt from VAT.

Payment and Collection Instruments

Electronic funds transfers are the most common payment instrument for both domestic and cross-border payments in the EEA. They can be initiated using Internet and other electronic banking facilities.

Non-urgent credit transfers are the primary payment method used to make payroll payments, with companies able to take advantage of the BBS's Direkte Remitting service, which allows a company's payroll to be submitted as an electronic mass file for processing. Third-party payroll agencies are available.

Credit transfers and inter-company direct debits are the most common method of payment for business-to-business transactions. Card payments are commonly used for consumer transactions, with debit cards and credit cards both popular. Pre-authorized direct debits are used primarily by utility and insurance companies to collect domestic payments. There are two direct debits in Norway: one for inter-company payments (AutoGiro), which requires an agreement between both the payer and payee in addition to an agreement signed with each party's bank; and one for both private and corporate customers (AvtaleGiro). Cheque use has declined markedly since the 1980s and cheques are now mainly used for large, one-time payments.

Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (NOK billion)		% change 2008/2007
	2007	2008		2007	2008	
Giros:	510.7	526.6	3.1	10,428.7	11,229.7	7.7
<i>Paper-based giros</i>	48.4	42.7	- 11.8	216.5	186.8	- 13.7
<i>Electronic giros (including credit transfers, direct debits)</i>	462.3	483.9	4.7	10,212.2	11,042.9	8.1
Payment cards	965.1	1,075.6	11.5	424.3	473.5	11.6
Cheques	0.5	0.4	- 20.0	12.9	11.3	- 12.4
Total	1,476.3	1,602.6	8.6	10,865.9	11,714.5	7.8

Source: Norges Bank, Annual Report on Payment Systems 2008.

Single Euro Payment Area (SEPA)

SEPA payment instruments allow enterprises to make and receive EUR-denominated credit transfers, direct debits and debit card payments from a single bank account to and from other parties located anywhere within the EEA and Switzerland.

International Payments

International payments, including foreign currency payments and payments to and from parties located outside the EEA, are processed through same-bank networks, through multibank alliances or by using traditional correspondent banking techniques. EUR-denominated international payments can be settled on a same-day basis, as long as the 17:00 CET (Central European Time) cut-off time is met.

Payment Processing Times

Transactions processed	Value dating rules	Cut-off time(s) in local Central European Time (CET)
High-value and urgent domestic transfers denominated in NOK	Settlement on same-day basis with immediate finality	16:45 CET for payments greater than NOK 25 million 15:30 CET for payments less than NOK 25 million
Non-urgent, low-value domestic consumer payments denominated in NOK	Payments are settled on a same-day or next-day basis at 6:00 or 15:00 CET	5:30 CET or 14:30 CET
High-value and urgent intra-EEA electronic funds transfers denominated in EUR	Settlement on same-day basis with immediate finality	17:00 CET
Non-urgent intra-EEA credit transfers with a maximum value of EUR 50,000*	Settlement either same-day or next-day	13:00 CET for same-day settlement or 01:00 CET for overnight settlement

* SEPA credit transfers are not subject to a maximum value threshold.

Central Bank Reporting

Statistics Norway collates balance of payments statistics based on mandatory reporting requirements of all transactions between residents and non-residents on a quarterly and annual basis.

Norwegian banks submit reports on their own account transactions and positions involving non-residents integrated with joint accounting reports to Statistics Norway. Companies from other sectors report directly to Statistics Norway.

Exchange Arrangements and Controls

Norway applies no currency exchange controls.

Cash and Liquidity Management

Managing cash on both a domestic and regional (Scandinavian*) basis is relatively straightforward, although there are a few restrictions.

*Scandinavian countries include Denmark, Finland, Norway and Sweden.

Physical Cash Concentration

Physical cash concentration is available from all large Norwegian and international banks. Resident and non-resident companies can participate in the same domestic cash concentration structure, although there are lending restrictions and legal advice should be taken before this structure is implemented.

A number of banks offer cross-border physical cash concentration, particularly for the Nordic region. However, there are inter-company lending restrictions which can make it difficult to include non-resident accounts.

Notional Cash Pooling

Notional cash pooling is available from Norwegian and international banks, but in practice is rarely offered. This is because Norway does not allow banks to offset credit and debit balances, making a notional pooling structure costly to operate. Where domestic notional cash pools are available, resident and non-resident companies can participate in the same structure. There are also restrictions on inter-company lending.

As an alternative, some banks have developed interest rate optimization or enhancement products, particularly for Nordic companies, which can include resident and non-resident accounts, for cross-border, cross-currency use.

Short-term Investment

Bank instruments

Interest-bearing current accounts are available, though not common. Banks offer time deposits in a range of currencies for terms from overnight to two years, with typical maturities of between one and 12 weeks. Banks also issue fixed-rate certificates of deposit (CDs), with a minimum investment amount of NOK 50 million.

Non-bank instruments

Some large Norwegian companies issue commercial paper (CP), although investors have access to the wider euro commercial paper (ECP) market as well.

The Norwegian government issues Treasury bills for periods up to 12 months. These are denominated in NOK 1,000 units.

Norwegian companies have access to money market and bond funds.

There is an active interbank repurchase agreement (repo) market and repos are popular with both companies and financial institutions.

Short-term Borrowing

Bank

Overdrafts, bank lines of credit and bank loans are usually all available in Norway to both resident and non-resident companies. Banks will usually charge a margin over NIBOR (the Norwegian Interbank Offered Rate) for NOK-denominated facilities. Other commitment and arrangement fees will also be charged.

Non-bank

Larger companies issue commercial paper into both the domestic and the ECP market. Issues into domestic market can be made by a number of different issuer.

Trade bills are not commonly discounted and factoring (disclosed mainly, but also undisclosed) is available.

Taxation

Corporate Taxation

- › The rate of national corporate income tax is 28%. Income and capital gains are pooled, and the same rate of taxation therefore applies to both. A resident company is taxable on its worldwide income. Non-residents are liable to the same rates of taxation on all Norwegian-sourced income.

Advance Tax Ruling Availability

- › It is possible to ask for a statement in advance from the tax authority (*Skattedirektoratet*). The transaction cannot be carried out before the statement is issued.

Withholding Tax (subject to tax treaties and other exemptions)

- › No withholding tax is levied on payments made to resident companies. Dividends paid by resident companies to non-residents are subject to a withholding tax of 25%, unless a reduced tax treaty rate applies. No other withholding tax is levied on payments made to non-resident companies.
- › Limited companies resident in EEA countries will not pay tax on dividends from a Norwegian company under the exemption regime.

Capital Gains Tax

- › Capital gains are taxed at the ordinary corporate tax rate of 28%.
- › The gross sales proceeds arising on the disposal of assets in certain depreciation groups may either be treated (wholly or partly) as income, or deducted from the tax written-down value of other assets in the group.
- › Gains on assets in other depreciation groups and gains on non-depreciable assets are for tax purposes allocated to the so-called capital gains and loss account, to the extent that the taxpayer does not elect to treat the gain as taxable income. Losses on such assets must be allocated to the account. This also applies to gains on the disposal of goodwill as well as gains/losses arising on acquired goodwill. At the end of each year, 20% of the balance on the account is added to or deducted from taxable income.
- › Reinvestment relief is available where the disposal of the asset results from a fire, an accident or a compulsory purchase.
- › The gain on sale of shares is calculated as the proceeds less the base cost for tax purposes, which is adjusted each year for taxes and dividends.
- › Ninety-seven percent of the dividends and capital gains earned in or after October 7, 2008, derived from shares in Norwegian resident limited companies and companies resident in the EEA (subject to certain conditions), are exempt from tax for Norwegian corporate shareholders such that only 3% of the gross dividends and gains remain taxable.

Stamp Duty

- › A flat fee of NOK 1,935 is payable on the registration of loan agreements.

Thin Capitalization

- › Financing arrangements between related parties are within the scope of the transfer-pricing regime under self-

assessment, and adjustments must be made to ensure that tax returns are completed on an arm's length basis. Where excessive interest is paid to a non-resident related party, there are provisions to deny a tax deduction for excess interest. Excess interest may also be treated as a dividend, and subject to withholding tax.

- › No "safe harbour" ratios are prescribed by statute, except for financing arrangements which are taxed under the offshore tax regime. For such companies, where equity capital represents less than 20% of the aggregate of the company's liabilities and equity capital on the balance sheet as at the year-end, the interest deduction is restricted for tax purposes. It is typically assumed that the general safe harbour for financing arrangements for other businesses is the same (i.e., a debt-to-equity ratio of 4:1).

Transfer Pricing

- › Companies are required to prepare their corporate tax return on arm's length principles. The Norwegian transfer pricing rules are based on Organisation for Economic Co-Operation and Development (OECD) transfer pricing guidelines.

Sales Taxes / VAT

Generally, VAT is levied on all taxable goods and services and imported goods and services (which are defined) at a rate of 25%. A lower rate of 14% applies for food and an 8% rate applies for passenger transport, hotel accommodation and cinema tickets.

Payroll and Social Security Taxes

- › Employer social security contributions are payable by employers at various rates in different regions, according to where in Norway the employee is resident. The top rate is 14.1% in most urban areas. Contributions are generally deductible for corporate tax purposes.

All tax information supplied by Deloitte LLP (www.deloitte.com). Data as at April 1, 2009.

Report prepared September 2009.

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