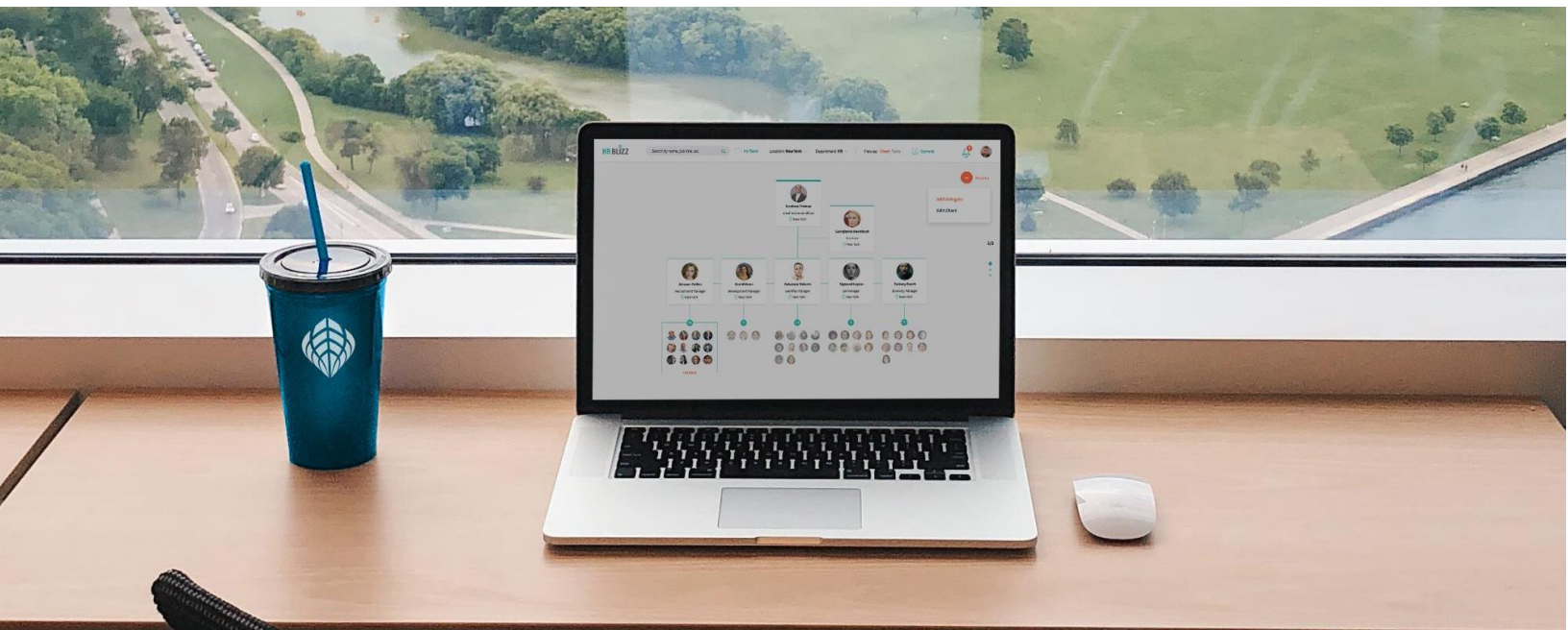




Simplifying Employment  
Tasks Worldwide

# Payroll & Tax Highlights

## 2021 Global Payroll Country Guide for Norway



**NORWAY**



1 February 2021



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# We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



## **Global Payroll Solutions – Boost your HR brand and employee satisfaction**

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



## **PEO/GEO Services – Easily hire, deploy and manage your workforce abroad**

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



## **Global Talent Acquisition – Quickly fill vacancies with only the best candidates**

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.



## **BPO Services – Reclaim the focus on your core activities to expand your business**

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers and increase revenue.



## **HR Management SaaS – Access customizable cloud-based online platforms**

Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.



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Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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## Mercans at a Glance

**140+**

Countries

**20**

Years of Success

**500+**

Specialists

**5k+**

Customers Worldwide

**97%**

Client Retention Rate

**1.5X**

Annual Revenue Growth

**25k+**

Largest Single Payroll

**3.5M+**

Pay Slips per Annum

**0**

Security Breaches

**Number one** for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.





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# Table of Contents

<b>NORWAY – QUICK ECONOMIC RECOVERY EXPECTED IN 2021.....</b>	<b>5</b>
<b>DOING BUSINESS IN NORWAY .....</b>	<b>6</b>
<b>BASIC FACTS .....</b>	<b>7</b>
<b>INCORPORATION PROCESS .....</b>	<b>8</b>
<i>Type of Business .....</i>	<i>8</i>
<i>Financial Statements .....</i>	<i>12</i>
<i>Audit Requirement .....</i>	<i>12</i>
<b>BANKING.....</b>	<b>13</b>
<b>LABOR LAW.....</b>	<b>14</b>
<i>Employment Agreement .....</i>	<i>15</i>
<i>Probation Period .....</i>	<i>16</i>
<i>Minimum Wage.....</i>	<i>16</i>
<i>Salary Payments .....</i>	<i>16</i>
<i>Health Insurance .....</i>	<i>17</i>
<i>Overtime .....</i>	<i>17</i>
<i>Working Hours .....</i>	<i>17</i>
<i>Annual Leave .....</i>	<i>18</i>
<i>Sick Leave.....</i>	<i>18</i>
<i>Maternity Leave.....</i>	<i>18</i>
<i>Employment Termination.....</i>	<i>19</i>
<b>TAX &amp; SOCIAL SECURITY .....</b>	<b>21</b>
<b>CORPORATE INCOME TAX (CIT) .....</b>	<b>21</b>
<b>PERSONAL INCOME TAX .....</b>	<b>21</b>
<i>General Income Tax .....</i>	<i>22</i>
<i>Bracket Tax.....</i>	<i>22</i>
<i>Personal Deduction .....</i>	<i>22</i>
<i>Minimum Deduction .....</i>	<i>22</i>
<i>Payment of Tax.....</i>	<i>23</i>
<i>Tax Returns.....</i>	<i>23</i>
<b>SOCIAL SECURITY .....</b>	<b>25</b>
<i>Employee Contributions .....</i>	<i>25</i>
<i>Employer Contributions.....</i>	<i>25</i>
<i>Employment Income.....</i>	<i>26</i>
<i>Equity Compensation.....</i>	<i>26</i>
<b>PAYROLL .....</b>	<b>27</b>
<b>SUBMITTING THE A-MELDING.....</b>	<b>27</b>
<b>PAYMENT AND DEADLINES .....</b>	<b>27</b>
<b>IMMIGRATION .....</b>	<b>29</b>



## Norway – quick economic recovery expected in 2021.

Norway is a rich country, with one of the highest GDP per capita in the world. The country also scores at the top of the United Nations Development Program's Human Development Index ranking. Unemployment had gradually declined from its peak in 2016 until the start of the pandemic; however, reduced activity in the hospitality sector in particular halted this trend. The unemployment rate was estimated to rise to 4.5% in 2020 but is projected to edge down to 4.3% in 2021, before falling further to 4% in 2022.

Norway's economic downturn remained limited in 2020 compared to most European countries as softer measures against Covid-19 partially offset a global decline in oil and gas prices - Norway's main exports.

The Norwegian economy was projected to decline by 2.8% in 2020 (1.6% according to the Norwegian government), before rebounding by 3.6% in 2021.

The economy will probably be supported by the oil industry, as the Brent-oil price is likely to reach a level of USD 50 per barrel in 2021, from an average of around USD 42 per Barrel in 2020, due to higher demand and still active production cuts of the OPEC. While the government cushioned the recession in 2020 via support measures worth NOK 166 billion (4.5% of total 2019 GDP), most of them will have faded out by the end of the year.

The new budget for 2021 includes a new impulse of NOK 128.5 billion (3.6% of GDP), which is mostly concentrated in infrastructure projects, green energy development and defense expenditures. Some of this will be financed via the increase of the CO2 tax by 5%. On the other hand, the Norges Bank cut its key interest rate from 1.50% to 0% in 2020. Moreover, it provided additional liquidity to banks in the form of loans of diverse maturities. For 2021, the Bank should hold its key interest rate at 0%. However, due to the robust economic development, we cannot rule out a first rate hike of 25 basis points at the end of 2021.

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## Doing Business in Norway

Arguably one of the most scenic countries on earth due to its mountainous landscape, fjords and midnight sun, Norway is an attractive location for business ventures. With a relatively small population of only 5 million people it is surprising that Norway's purchasing power can challenge even the largest of economies because of its high standard of living and minimal wealth gap. Norway is home to one of the highest GDPs per capita globally.

Economically Norway has a sophisticated and stable free market with vast natural resources, efficient business culture and low levels of corruption. For foreign investors the main opportunities for development are seafood, timber and metal products, telecommunications, hydropower equipment and oil and gas. At present it is estimated that Norway has enough oil for the next 50 years and gas for the next 100 years. At present the government is keen to now begin a transition to more sustainable economic activities and is also reducing the long-standing transition of state-ownership. Most Norwegians are fluent in English with many speaking French and German too. For these reasons Norway continually scores in the top 10 in the Ease of Doing Business Index.

Despite the fact that Norway is not a member of the European Union (EU), it is part of the European Economic Area (EEA) and still adheres to the same trading practices as the EU. For countries outside the European Union this can cause certain import and export challenges. In terms of business culture, Norwegians generally adhere to Scandinavian work values. This means there is a large focus on equality in the workplace, particularly in terms of gender, so expect a lack of hierarchy in business and largely informal communication.



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## Basic Facts

<b>Official State Name</b>	Kingdom of Norway
<b>Population</b>	5.4 million (2020 est.)
<b>Capital</b>	Oslo
<b>Official Languages</b>	Norwegian and Sami
<b>Currency</b>	Norwegian krone (NOK)
<b>Main Industries &amp; Export Articles</b>	Oil & Gas, Hydro-power, agriculture, shipping and tourism.
<b>GDP Growth</b>	3.6% (est. 2021)
<b>Internet Domain</b>	.no
<b>International Dialing Code</b>	+47
<b>Date &amp; Number Format</b>	dd.mm.yyyy 999 999 999,99



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## Incorporation Process

There are the following types as the most common forms of businesses in Norway:

- Private Limited Company (AS, Aksjeselskap)
- Public Limited Company
- Norwegian branch of a Foreign Company

The way to register a business in Norway is through the Bronnøysund Register Center. You will need to complete the "Coordinated Register Notification" form on this website.

The form itself only available in Norwegian, although the "Part 1 – Guide" section is available in English.

## Type of Business

### *Private Limited Company (AS)*

This type of company is one of the most commonly used by international businesses when registering a Norwegian entity.

In order to register a private limited company in Norway, capital contribution of NOK 30,000 (roughly \$3,200) is required. The capital must be deposited in a bank, such as DNB. The bank account will be blocked up until the company is registered. Investors are required to pay a one-off charge of NOK 5,570 (\$600) for the company to be added to the Register of Business Enterprises.

The company will need at least two directors, one of whom must be a Norwegian or European citizen. Private limited companies have an accounting obligation, and must submit annual accounts to the Register of Company Accounts (regnskapsregisteret).

Multinational companies usually choose a Norwegian private limited company structure.

- most popular format for small and medium businesses
- minimum share capital 30,000 NOK, fully paid up
- at least one shareholder; board of directors required
- 50% of board members must be resident in Norway or in a EU/EEA country





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### *Public Limited Company (ASA)*

A Norwegian joint stock company (Allmennaksjeselskap - A.S.A) is designated for larger businesses, and the required capital, divided into shares, cannot be less than NOK 1,000,000 (approximately EUR 125,000). The capital of the A.S.A is divided into stocks which can be transferable to the public and it may also be registered with the stock market. The registration with the stock market is important because it is a modality of increasing the share capital. The major decisions are also taken by the general meeting of the shareholders while the daily decisions are taken by the members of the management board.

### *Norwegian Branch of a Foreign Company (NUF)*

A Norwegian branch of a foreign company (NUF) is both easier to set up and easier to close down than AS and ASA companies. It is not a separate entity, but instead acts as a registered office for the parent company.

There is no minimum requirement for share capital when starting this type of business. However, the parent company's assets will be included on the balance sheet of the branch, and the parent company will also be liable for any debts incurred by the branch.

The branch company must comply with Norwegian labor rules and must pay taxes in Norway. An exception to this is where the parent company is based in a country that has a double taxation agreement with Norway.

If an investor is a foreign national who is seeking to start and operate a business in Norway, they need a Norwegian identification number (D-number or personal ID number) and a Norwegian business address. They can apply for a D-number at the same time as completing the registration in the Bronnøysund register.



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The standard legal entity incorporation steps for Norway have been summarized below:

No.	Procedures	Time to Complete
1	<b>Deposit start-up capital in a bank</b>  Agency: Bank  The partners need to deposit the paid-in minimum capital (at least NOK 30,000) in a bank. The procedure is done electronically through the bank's online platform. One of the commonly used banks by private persons and business owners is DNB ASA. It's website is <a href="http://www.dnb.no">www.dnb.no</a> . The account is blocked until the company has been registered.	1 day
2	<b>Submit the application with the Register of Business Enterprises, file for VAT registration and file for employer registration</b>  Agency: Register of Business Enterprises  The web-based filing system allows for electronic signature of the registration form and for the possibility to upload all attachments (i.e., copies of signed versions of the memorandum, auditor statements, and the rest) electronically.  It is still possible to file all documents manually by regular mail as well. In some cases registration inquiries cannot be filed online (i.e., mergers, some cases of increase of share capital, and so on) and must be filed by mail.  VAT registration is required when the company's turnover has exceeded NOK 50,000. VAT cannot be charged on goods and other items before VAT registration is completed. However, in certain cases the company may register for VAT before starting business operations. The VAT registration form can be submitted at the same time as filing for company registration.  Also, the employer can submit an A-notification, after which the company will be registered in the NAV AA Registry. If the company knows it will have employees immediately after incorporation and registration with the Norwegian Registry of Business Enterprises, the company will check the box for having employees (or intending to have employees) and will thereafter receive information about submitting A-notifications. Normally the monthly submitting of A-notification will be done via the company's	1 day



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No.	Procedures	Time to Complete
	<p>payroll-system, but it can also be submitted via the electronic portal Altinn (normally for smaller companies).</p>	
<b>3</b>	<b>Arrange for mandatory occupational pension plan for employees</b>  Agency: Pension Agency  The employer must arrange for a mandatory occupational pension plan for his or her employees. The fees vary with the benefits and level of coverage in the pension plan. The minimum requirement is 2% of each employee's salary (within average levels of salaries). Pension scheme must be established within 6 months of the date on which the obligation to have an occupational pension scheme arose.	3 days
<b>4</b>	<b>The employer enrolls in the mandatory workers' injury insurance</b>  Agency: Social Security Office  The employer must have a workers' injury insurance for the employees. The insurance company is chosen by the employer. The insurance must provide coverage for work-related injuries, regardless of whether the injury is anybody's fault. The insurance must cover injury and illness caused by accidents at work, illness covered by the same benefits as occupational injury pursuant to the National Insurance Act, and other injury and illness caused by exposure to harmful substances or work processes.	1 day



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## Financial Statements

In Norway, the accounting regulations are split into two. Enterprises are subject either to the bookkeeping obligation only, or the bookkeeping obligation and the accounting obligation.

Most sole proprietorships are subject to the bookkeeping obligation only. All private limited companies are also subject to the accounting obligation. In simple terms, this means that enterprises that are subject to the accounting obligation must submit annual accounts to the Register of Company Accounts, as well as a tax return and an income statement to the Norwegian Tax Administration.

The Norwegian Bookkeeping Regulations specifies clear requirements regarding the information that must be included in invoices. Invoices must, among other things, contain an invoice number which is automatically assigned by a program. Alternatively, the company must arrange for invoices to be printed by a printing firm. The invoices should contain consecutive invoice numbers in addition to the name, address and organization number of the business.

If the company is registered for VAT, the company must submit tax returns for VAT to the relevant authority every other month (per period).

When the company has been VAT-registered for one year, it can apply to submit returns annually if the company turnover is less than NOK 1 million. The due date for the application for annual VAT returns is 1 February.

All taxable businesses must submit a tax return. Sole proprietorships and partners in shared liability partnerships must submit form RF-1030 'Tax return for self-employed persons etc.'. Private limited companies, cooperatives and other non-personal taxpayers must submit form RF-1028 'Tax return for corporations' (available in Norwegian only) .

In addition to submitting a tax return to the Norwegian Tax Administration, everyone who is required to prepare annual accounts must also submit their accounts to the Register of Company Accounts. The final deadline for submission is 31 July for businesses whose financial year ends on 31 December.

## Audit Requirement

Whether or not a company needs an auditor will depend, among other things, on the form of incorporation and the size of the turnover. Sole proprietorships are normally only subject to the bookkeeping obligation and do not need to have an auditor. Private limited liability companies can choose not to have an auditor when the turnover is less than NOK 6 million. For other companies with an accounting obligation, it is generally mandatory to have an auditor when the turnover exceeds NOK 5 million.



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## Banking

Traditionally, Norway has a strong and stable banking system. Norwegian savings banks perform particularly well. In Norway, there are three main types of bank: commercial banks, savings banks and branches of foreign banks.

Commercial banks are also known as business banks and take the role of both financial intermediaries and as banks. The term 'commercial' demonstrates the banks original focus, which was on corporations and large businesses. Commercial banks now also deal with private customers and along with savings accounts, checkable deposits and term deposits they also grant loans to businesses and customers. The oldest commercial bank in Norway is Storebrand Bank, which was founded in 1767.

Savings banks are financial institutions that offer a wide range of services but mainly focus on dealing with their single clients savings accounts. Like commercial banks, you can choose from a wide range of savings banks in Norway. One of the oldest is Sparebanken Vest, founded in 1823.

Foreign banks also have branches in Norway, which are authorized and supervised by the Norwegian authorities. Along with other banks, they offer customers a wide range of services.

For expatriates opening a Norwegian bank account, it is advised that they choose a bank which offers comprehensive services. For example, DnB NOR, Fokus bank, Nordea or Postbanken. Nordea and DnB NOR also have English web sites.

In fact, some banks do not conduct their business from physical branches and instead they operate completely online. Clients are allowed to administrate their accounts, pay bills and transfer money from home.

Norwegian bank opening hours vary, but are generally from 8 am to 3.30 pm, Mondays to Fridays.



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## Labor Law

The parties of the Norwegian labor market are employers, employees, employers' associations and trade unions. Established trade unions enjoy a favored status within the field of industrial relations and, under certain circumstances, have more extensive rights than individual employees. Approximately 50 per cent of the Norwegian employees are unionized.

Norwegian employment law is largely regulated through legislation, as well as by collective agreements concluded with nation-wide, well-established trade unions.

Norway is part of the so-called EEA-Agreement with the EU, and thus implements most EU regulations and directives into Norwegian law, including regulations and directives regarding Labor Law.

Another part of the basis of the Norwegian Labor Law is the legal dispute resolution mechanisms implemented through legislation. These mechanisms normally make the Norwegian labor market a rather low area of conflict. The State Mediator plays an active and prominent part in the resolving conflicts between the unions on one side, and the employers and their organizations on the other. If the dispute cannot be solved through the State Mediator's involvement, a compulsory Pay Board may be imposed.

There are several laws manifesting public policies in order to protect and benefit the individual employees. The most important is the Working Environment Act 2005. Areas such as job security, working hours, termination of employment relationships, and health and safety are all regulated in this Act. Through collective agreements, the parties on the labor market have vast opportunities to deviate from many of the provisions in these laws.

The Labor Disputes Act 2012 regulates disputes between the organized parties of the labor market. The Act regulates two kind of disputes: legal disputes which concerns interpretation of collective agreements, and on-jural disputes, which concerns the creation and renewal of collective agreements. The Labor Disputes Act 2012 establishes and regulates a separate court (The Labor Court of Norway) to deal with disputes concerning the interpretation, validity and existence of collective agreements, cases of breach of collective agreements and the peace obligation and cases of claims for damages arising from such breaches and unlawful industrial action. The Labor Court has territorial jurisdiction over the whole country and is the highest court in its domain.

The Labor Dispute Act 2012 also lays down the necessary formal conditions for an agreement to be considered a collective agreement, and highlights the most significant implications of such agreements. The legislation provides the organized parties of the labor marked with quite



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extensive mandates, and collective agreements have been established in most areas of the Norwegian Industry.

## Employment Agreement

According to the Working Environment Act, a written contract of employment is required in all employments. The written contract of employment must state the terms and conditions applicable to the employment and must be presented to the appropriate employee either no later than one month after he or she commence work, or immediately if the duration of the employment is shorter than one month.

An employment contract is generally entered into for an indefinite period of time. Thus, the employees have a right to continue working for the employer until the employment contract is terminated by one of the parties.

Temporary and fixed-term employment may only be used in specifically defined situations such as when the work is of a temporary nature, for work as a temporary replacement for another person, for work as a trainee, with participants in labor market schemes under the auspices of or in cooperation with the Labor and Welfare Service, with athletes, trainers, referees and other leaders within organized sports, and for the chief executive officer of an enterprise.

An employer may also, on a general basis, use fixed term contracts for a specific work for 12 months. If, after this period, the fixed term employee is let go without receiving an offer of permanent employment, the employer cannot use the same/another fixed term employee to perform similar work until a restriction period of 12 months has passed. Temporary appointment on a general basis may apply to a maximum of 15 per cent of the employees of the undertaking.

Unions may enter into collective agreements with an employer or employers' association concerning temporary employment within a specific group of workers employed to perform artistic work, research work or work in connection with sport.

The Working Environment Act requires several aspects to be included in the contract of employment, which is mainly an implementation of the applicable EU-directive.

As a minimum, all contracts of employment must include the following: the identities of the parties; the place of work; a description of the work or the employee's title, post or category of work; the date of commencement of the employment; the expected duration if the employment is of a temporary nature and the legal grounds which the temporary employment is based on; provisions regarding a trial period of employment if such is the case; the rights of the employee to holidays and holiday pay; the period of notice regarding termination from either parties; pay and other benefits; the ordinary working hours on a daily or weekly basis; the length of breaks; if such exists, agreements concerning particular working time



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arrangements; and finally, information concerning any collective pay agreements governing the employment.

## Probation Period

An employer may employ a person on probation for a maximum of six months. Unlike temporary employment, after the six month period of probation, the employment automatically turns into a permanent employment for an indefinite period. However, this can be avoided if the employer gives notice of termination of the employment on the last day of the probationary period at latest. Such dismissal must be based on the grounds of the employee's lack of suitability for the work, or lack of proficiency or reliability. In addition, the employer can dismiss an employee on probation if the dismissal is objectively justified on circumstances relating to the undertaking, the employer or the employee.

## Minimum Wage

There are no statutory provisions regarding minimum wage in Norway. However, collective agreements normally stipulate a normal and/or minimum wage. Further, minimum wage has been introduced in certain sectors on the basis of general applicable collective agreements. The generally applicable collective agreements are agreements regarding pay and working conditions that apply to everyone who work in the specific sector, regardless of whether they are party to the agreement. The following sectors have generally applicable collective agreements: construction, the maritime construction industry, agriculture and horticulture, cleaning workers, fish processing enterprises, electricians, and freight transport by road, passenger transport by tour bus, hotel, and restaurant and catering.

Unless the payment is fixed through a collective agreement, or the work performed falls within the scope of a generally applicable collective agreement, the employer and employee may agree upon the wage without any statutory minimum requirements.

## Salary Payments

Unless otherwise agreed, salary shall be paid at least twice a month. However, it is most common to agree on a monthly pay. Usually, the wage consists of a basic salary along with numerous benefits, as well as overtime payment based on the employee's overtime the previous month. The wage may also depend on the performance of the employee. As a main rule, the employer is not entitled to deduct from wages. The Working Environment Act contains an exhaustive list of possible exceptions.





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## Health Insurance

Health care in Norway is heavily subsidized and, thus, private health insurance is normally offered only to highly ranked employees.

## Overtime

Overtime is defined as all time that exceeds ordinary working hours and on-call time. The general overtime work must not exceed 10 hours per seven days, 25 hours per four consecutive weeks, or 200 hours during a period of 52 weeks. However, when the employer and the employees' elected representatives in undertakings are bound by a collective pay agreement, they may enter into a written agreement to allow as much as 20 hours overtime work during a period of 7 days. In such cases, the total overtime work must not exceed 50 hours per four consecutive weeks or 300 hours during a period of 52 weeks.

The Labor Inspection Authority may on application in special cases permit a total of overtime work not exceeding 25 hours per seven days or 200 hours during a period of 26 weeks. The general overtime may be imposed only on employees who, in each individual case, have declared their willingness to perform such overtime.

For overtime work, a supplement shall be paid in addition to the pay received by the employee for corresponding work during normal working hours. The Working Environment Act states that the overtime supplement shall be at least 40 percent. Most collective agreements, however, demand a minimum of 50 percent overtime payment.

## Working Hours

The working hours of employees are subject to strict and detailed rules in the Working Environment Act. As a general rule, ordinary working hours should not exceed ten hours per day and 40 hours per week including breaks. However, most collective agreements in Norway situate ordinary working hours to not exceed 7.5 hours per 24 hours and 37.5 hours per seven days.

Deviations from the ordinary working hours are listed in section 10-4 of the Working Environment Act. In most cases, the exceptions relates to the nature of the work.

Overtime work and additional work must not be established as a regular system and must be performed only in extraordinary cases. Exceeding hours are subject to overtime payment. Overtime work is subject to a supplementary payment of at least 40 percent extra per hour, as explained above.



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The provisions concerning working hours do not apply to employees in senior posts or employees in particularly independent posts. To a certain extent, the statutory rules concerning working time may be deviated from through collective agreements.

## Annual Leave

The Annual Holiday Act states that the employee shall have 25 days of paid holiday each year, which amounts to four full weeks and one day. The Annual Holiday Act entitles the employee to holiday payment, which is 10.2 per cent of the annual wages earned the previous year.

Employees may be granted longer holiday through individual or collective agreement. The main collective agreements in Norway grant the employees a contractual right to five weeks of holiday, hence this is the general arrangement in Norway. The holiday payment (i.e., the percentage of annual wages) is upgraded proportionally to 12 per cent.

## Sick Leave

If employees are absent from work due to illness or injury, he or she is entitled to payment from the employer for the first 16 days of the absence (the employer-paid period). The rules on sick pay are found in the National Insurance Act of 1997. After the employer-paid period of 16 calendar days, the responsibility of paying the employee is passed on to the Social Security.

The amount of sick pay from the Social Security is limited. The employee is entitled to 100 percent of his or her wage benefits, limited to approx. NOK 561 804 per year (last changed in May 2017). The limit is regulated annually. In order to receive sick pay, the employee must immediately notify his or her employer of the sickness and, if ill for four or more days, the employee must obtain a doctor's certificate. In the case of a verbal notification of absence due to illness, the employer may require a written confirmation from the employee upon their return to work.

The employee may have a contractual right to full payment from the employer through his or her individual contract of employment.

## Maternity Leave

Parents are entitled to 12 months' leave of absence during the first year of their child's life. In total, the length must not exceed 12 months for both parents jointly. In addition, each parent is entitled to an unpaid leave of absence for up to one year for each child. A total of 10 weeks are reserved for the father and 10 weeks for the mother. The first six weeks after the birth are reserved for the mother, and are included in her 10 weeks. Apart from these limitations, the parents are free to divide between them the remaining period the leave. In addition, the father is entitled to two weeks of unpaid leave of absence in connection with the birth.



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The parents are entitled to compensation from the Social Security for loss of wages during the first year of leave if they are employed. In addition, the employee may have a contractual right to full payment from the employer through his or her individual contract of employment.

The above mentioned right to a leave of absence in connection with birth also applies to situations of adoption and care for foster child.

Employees may be entitled to a partial leave of absence combined with partial payment of parental or adoption benefit as described above. This right is based upon an agreement between the employee and employer.

## Employment Termination

Employers may dismiss their employees either with notice (discharge) or without (dismissal). Discharge, with notice, is the customary method of termination. In both cases, the Working Environment Act draws up a procedure that must be followed before the employee is informed on the company's decision (discharge or dismissal).

Dismissal without notice (N. avskjed) is only lawful if the employee has committed a fundamental breach of contract, such as gross misconduct or disloyalty, i.e., by working for a competitor. Thus, dismissal should be executed only in extraordinary circumstances.

An employer may only give notice to terminate an employment if such a decision is based on objective grounds (N. saklig grunn). The term "objective grounds" is not defined by statute, but can be either:

- Subjective personal reasons (factors such as an employee's conduct or performance) (N. personlige årsaker); or
- Objective reasons (all discharges that are not based on subjective personal reasons, i.e., redundancy, lack of work, and the economic situation of the employer) (N. arbeidsmangel).

A discharge will never be based on objective grounds if it could be avoided through alternatives such as re-assigning the employee elsewhere within the business. Thus, it is important for employers to investigate all the possibilities of the employee prior to making the ultimate decision to discharge them.

An employer will be liable to damages for loss suffered by the employee, his or hers pay and other entitled benefits if the termination lacks objective grounds. As a main rule, the employer must pay damages corresponding to lost wages, with deductions for any unemployment benefits, until the employee finds new work. The employer may also have to pay for the employee's non-economic losses, but this will seldom be a considerable amount.



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There are no statutory provisions in Norway regarding severance pay. Despite the lack of legal obligation to pay severance payment, a certain practice of such exists within some businesses. Severance payment according to this type of agreement is generally based on one to 24 months of salary, taking seniority, age, social factors, and other factors into account.

Unless otherwise agreed, the general period of notice is one month. However, it is common practice to agree upon a three month period of notice.



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# Tax & Social Security

## Corporate Income Tax (CIT)

A Norwegian resident company is, as a starting point, subject to corporate income tax (CIT) on its worldwide income. Non-resident companies are, as a starting point, liable for CIT in Norway when engaged in a business that is either conducted in or managed from Norway.

CIT is, in general, assessed at a rate of 22%. Certain companies within the financial sector are assessed at a CIT rate of 25%.

## Personal Income Tax

Norwegian tax legislation distinguishes between full tax liability for resident taxpayers and limited tax liability for non-resident taxpayers. Residents are liable to income tax on their worldwide income, whereas non-resident taxpayers are only subject to income tax on specific types of income from Norwegian sources.

To simplify reporting and compliance for temporary employment in Norway, a PAYE system is introduced and in force from 1 January 2019. The PAYE scheme is applicable for limited tax liable non-resident workers, except workers offshore and seamen on ships, who have a salary below bracket tax level 3 (for 2021, that would be 651,250 Norwegian kroner [NOK]) and is at a flat 25% rate (includes 8.2% social security contributions). Where PAYE applies, deductions are not applicable.

If PAYE applies, the workers are not in need of an individual tax return. The tax is final at payment and is, therefore, not subject to change.

Where an individual is tax liable to Norway only a part of the income year, the income is annualized. The same applies for certain deductions (i.e. personal deduction and minimum deduction, see the Deductions section).

The Norwegian income tax system for individuals is based on a dual tax base system: general income and personal income.

Resident status is obtained when an alien resides in Norway more than 183 days in the course of any 12-month period or 270 days in any 36-month period.



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## General Income Tax

General income is taxed at a flat rate of 22%. The general income tax base comprises all categories of taxable income (i.e. income from employment, business, and capital). Tax allowances, expenses, and certain losses are deductible when computing general income. The taxes on general income are the county tax, the municipal tax (Norway is divided into 11 counties and subdivided into 356 municipalities), and the state tax.

## Bracket Tax

Bracket tax is calculated on personal income and is in addition to income tax, which is paid at the rate of 22%. Personal income is the salary and other similar incomes which replace salary, such as sickness benefit, work assessment allowance, disability benefit and pension. Bracket tax is calculated on gross income. This means that the deductions are not deducted before bracket tax is calculated.

Annual Taxable Income (NOK)		Marginal Tax Rate (%)
More Than	Less Than	
0	184,800	0
184,800	260,100	1.7
260,100	651,250	4.0
651,250	1,021,550	13.2
1,021,550	+	16.2

## Personal Deduction

Individuals are entitled to a personal deduction for municipal taxation purposes. The allowance amounts to NOK 52,450. As of 2018, no special deduction is granted to spouses who are assessed jointly on their total income and capital.

## Minimum Deduction

As an alternative to deduction for actual expenses, the taxpayer may claim a standard deduction, called the minimum deduction. The minimum deduction is intended to cover expenses normally connected with employment. The taxpayer may, however, choose to claim a deduction for actual expenses if these are higher. On the other hand, the minimum deduction



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may be claimed even if the taxpayer has not incurred any of the expenses the deduction is supposed to cover.

The deduction is 46% of the basis, the maximum being NOK 106,750 and the minimum NOK 4,000. The minimum deduction covers all expenses normally connected with employment, except additional expenses incurred through living away from home, interest payments, travelling expenses necessary for work, and union dues. Pension contributions, alimony, etc. are also not covered by the minimum deduction. Thus, such expenses may be deducted in addition to the minimum deduction.

## Payment of Tax

Individuals taxable in Norway are obligated to pay tax in advance during the income year. This applies to employees as well as self-employed persons. The employer must, without prior request, withhold taxes in advance. This also applies to foreign employers with employees working in Norway. An employer is defined as the person who oneself or through an authorized person pays the wages or other remuneration subject to the obligation to withhold taxes in advance. In case of hiring out of labor, both the contractor and subcontractor are responsible for fulfilment of this obligation.

The withholding is based on tax deduction cards issued by the local Assessment Office. This may either be a source tax card (PAYE) or an ordinary tax withholding card. If a tax deduction card has not been provided to the employer, the employer must withhold 50% of gross payments.

Advance tax paid by individuals as regards income not subject to withholding must be affected in four equal instalments during the income year, on 15 March, 15 May, 15 September, and 15 November. If the advance tax is not paid when due, an interest charge is imposed on the taxpayer.

When the assessed tax is higher than the withholding or advance tax, the difference is payable by the taxpayer in two equal instalments 3 and 8 weeks after the date on which the assessment has been made public. No payment is due before 20 August. Interest is charged on the amount equal to the instructive interest determined by the Norwegian National Bank less 22%. The taxpayer may avoid interest by making additional payments before 31 May in the assessment year. If the prepayments are greater than the assessed tax, the difference plus interest is refunded to the taxpayer.

## Tax Returns

Individuals will receive a pre-drafted tax return from the tax authorities to be controlled, corrected, and filed by 30 April of the consecutive year after the income year. Extensions may be granted by the tax authorities.



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In cases where no amendments of the pre-drafted tax return needs to be made, filing is not required since the tax authorities will consider the pre-drafted tax return as accepted by the individual, and the tax assessment will be based on the information in the pre-drafted tax return.

Individuals on source tax (PAYE) are not required to file a tax return.





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## Social Security

The Social Security Law deals with the various benefits from and payments to the National Insurance Scheme.

The scheme is financed by the individual's and employer's social security contributions in addition to grants from the state and the municipalities. The individual's contribution is charged at a higher rate for self-employed persons (11.4%) than for employees (8.2%). The employer's contribution (14.1%) must be paid with respect to salaries, etc. The rates are determined by the Parliament in the annual decrees on contributions to the National Insurance Scheme.

National insurance contributions are calculated on personal income. They are calculated on gross income before the deductions the employee is entitled to are deducted. The employees whose annual income does not exceed NOK 54,650 are not subject to national insurance contributions.

### Employee Contributions

Individuals, including non-residents receiving remuneration for services performed in Norway, are liable to social security and pension contributions, which are paid together with income taxes. Foreigners may be wholly or partly exempted from social security contributions, according to social security agreements, or upon application, provided they are satisfactorily covered in their home country. The European Economic Area (EEA) agreement may also exempt member-country citizens from Norwegian social security.

The following conditions apply to both employed and self-employed individuals:

- Income not exceeding NOK 59,650 is exempt; the contribution may not constitute more than 25% of the income for amounts in excess of NOK 59,650.
- Income derived by individuals under 17 or over 69 years of age is subject to the contribution, but at a low rate of 5.1%.

The individual's contribution is not deductible for their tax purposes.

### Employer Contributions

The employer must also make social security contributions. The contribution is based on total Norwegian gross salary (and taxable benefit) costs. The employer's contribution is levied at a rate of 14.1%, but could be lower when the employer is established in certain sparsely populated areas.



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## Employment Income

All types of income from employment, whether in cash or in kind, are normally taxable. Remuneration in kind includes items such as free housing, free car, and free travel. The taxable value of a company car and most other allowances are subject to withholding tax (WHT) along with the cash salary. The taxable values of these benefits are fixed annually by the tax authorities.

If the employee receives cash remuneration to cover housing costs, the gross income will be taxable. Married assignees with family abroad may claim a tax deduction for housing costs in Norway. In these cases only, the net profit will be taxable if the payment is split between deductible costs and profit. Personnel staying in hotels, guest houses, or barracks are subject to tax only on net profit on cash housing remuneration.

## Equity Compensation

A benefit derived upon the exercise or sale of an option to acquire or sell shares or primary capital certificates related to employment is subject to tax on employment income. The benefit is calculated at the time of exercise.

For call options, such benefit is calculated as the difference between the market value of the shares upon exercise and the exercise price (less a possible premium paid).

For put options, the benefit is calculated as the difference between the exercise price and the market value of the shares (less a possible premium paid).

If the option itself is sold, a benefit is calculated as the difference between the sales price of the option and the acquisition cost (premium paid). The taxable benefit of the option is spread over the years during which it has been accumulated.

Social security contributions and income tax are computed as if the benefit of the option had been derived during the period the taxpayer held the option with the same amount for each year.



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# Payroll

In accordance with the local regulation the following entities or individuals are considered employers:

- Entities who pay salaries or other remunerations.
- Entities who have another party (representative) make the payment on their behalf but they bear the financial risk.
- Private individuals who engage someone to carry out maintenance or gardening in their home or holiday home, for example, may have obligations as an employer. Simplified rules apply to private employers.
- Sole proprietorships who have employees in addition to themselves.
- An individual who own a private limited company are considered both an employee and employer.

Employers have the following obligations:

- Issue written employment contracts
- Obtain electronic tax deduction cards
- Add and remove employees from the State Register of Employers and Employees (the Aa register)
- Withhold and remit income tax and social security to the respective authorities

## Submitting the a-melding

As a rule, the employer must submit the a-melding at least once per calendar month. The a-melding is automatically checked upon receipt and shortly thereafter, you'll receive feedback.

If an employer submitted several a-meldings in the course of one month, the final feedback will summarise all the a-meldings that have been sent throughout the month.

## Payment and Deadlines

Employers must pay the sum of employer's national insurance contributions for the two previous months on their own initiative. They must do the same when it comes to withholding tax and financial activity tax.

The sum for the previous two months should be paid every 15 January, 15 March, 15 May, 15 July, 15 September and 15 November.



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The employer's national insurance contributions, withholding tax and financial activity tax may be paid electronically. Electronic payments must have a valid KID number. Please note that there are different KID numbers for withholding tax, financial activity tax and employer's national insurance contributions. The banks are obliged to reject electronic payments without a valid KID number. Employers can find their account number, KID number and amount to be paid in the feedback sent to them as an employer, shortly after they have submitted the a-melding.



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# Immigration

Norway has been part of a common Nordic labor market for many years and is also part of a common European labor market through the EEA Agreement and the EFTA Convention.

On 1 January 2013, the Immigration Act and Regulation, including regulations on labor immigration, entered into force. The requirement for a work permit for EU/EEA/EFTA nationals was replaced by a requirement to register with the police if the person involved wants to live in Norway for more than 3 months. To live in Norway the person must have either a Norwegian personal identification number or a D number. A D number is a temporary identification number which can be assigned to foreign persons who'll generally be resident in Norway for less than six months. Further, the regulations concerning immigration from countries outside the EEA/EFTA-area (so-called third countries) was simplified and made easier to follow. This provides good opportunities for Norwegian employers to recruit the foreign labor they require in their businesses. The act also introduced a possibility for skilled workers to start working before they acquired a permit.

As a main rule, all foreign citizens from countries outside the EU/EEA must apply for a visitor's visa when the purpose of the visit is tourism, family visit, official assignment, business or study visit (Schengen-visa type C). Such a visa can be valid for a maximum of 90 days in the course of a period of 180 days. Application for this visa shall normally be submitted at a Norwegian embassy or consulate, and the application should be registered online. Estimated time for visa issuance is approximately two weeks, but it may vary from place to place.

Certain groups of people are exempted from the visa requirements and may stay inside the Schengen area (which Norway is part of) for up to 90 days during any six-month period. Such persons must have the finances to be able to cover their stay in Norway and must be able to return to his/her home country, or to the country in which he/she has a residence permit.

The groups of nationals exempted from the visa requirements are:

- Nationals from Schengen-countries
- Nationals of countries that have a visa exemption agreements with Norway
- Persons with diplomatic, service, and special passports
- Other more limited groups

A residence permit is normally required for persons who are going to work in Norway, and must normally be obtained before entering Norway. There are different types of residence permits, depending on the person's background. Applications can be submitted at a Norwegian embassy or consulate or in Norway if the person has held another type of permit for the past nine months. The application may be registered online. Estimated time of processing the



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application is approximately three months, but may vary. The person holding the permit must report to the police within one week after entering Norway.

The most common residence permits for work are:

- Residence permit as a skilled worker. Such residence permit requires specialist training corresponding to upper secondary education level, craft certificate, university college or university education or special qualifications, and approval/authorization of regulated professions (e.g., health personnel). The expertise must be relevant for the position offered, and the person must, among other things, document a concrete offer of employment from an employer in Norway. Residence permit as a skilled worker also applies for skilled workers receiving payment from a Norwegian company that is part of an international group. The employer may apply on behalf of the employee, provided a written authorization is presented. If the requirements under the "early employment scheme" are met, the worker may start working before the application has been processed.
- Skilled workers who are employed by a foreign enterprise and will provide services in Norway, or are employed in an international company abroad and will perform services for a Norwegian branch of the international company. There are qualification requirements the same as for skilled workers, and, among other requirements, the expertise must be relevant to complete the assignment. The employee, or the client in Norway, may apply for the permit. A written authorization is required for the latter. If the requirements under the "early employment scheme" are met, the worker may start working before the application has been processed.

Nationals from EU/EEA/EFTA countries are subject to a registration scheme, which allows EEA nationals to live in Norway and work without applying for a residence permit provided they register with the police. Registration is done online with a following duty to meet in person at the nearest police station to provide identification and present the documents that are relevant for the basis for residence. If the conditions for registration are met, a registration certificate is issued free of charge and valid indefinitely.

A person must stay in Norway for a continuous three-year period while holding a residence permit, which in turn forms the basis for a permanent residence permit. The most common residence permit that form the relevant basis for a permanent residence permit based on employment are residence permit as a skilled.

The person must have completed classes in the Norwegian language, and must also fulfill certain conditions relating to conduct. The authorities, for example, may deny an application if the person is guilty of a criminal act that can lead to deportation.



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The application should be registered online, and an appointment must be booked in order to hand in the relevant documents. The application should be submitted to the nearest police station, which processes most of the applications. If the police are in doubt, the application is sent to the Norwegian Directorate of Immigration to be concluded. If the application is granted, a residence card must be obtained from the police and renewed every second year. The residence permit gives the person a general right to stay, work, or run a business in Norway indefinitely, provided he/she has a valid residence card. However, the permit may be lost if the person does not stay in Norway.

The estimated time of processing the application will vary, but is estimated to take approximately 10 months, depending on whether it is processed by the police or the Norwegian Directorate of Immigration, and assuming that all relevant documents have been presented etc.



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