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Country Profile: Norway

The Facts

Location	Northern Europe, bordering the North Sea and the North Atlantic Ocean, west of Sweden
Languages	Bokmal Norwegian and Nynorsk Norwegian (both official)
Nationality	Norwegian
Religions	Church of Norway (Evangelical Lutheran - official) – 85.7% Pentecostal – 1% Roman Catholic – 1% Other Christian – 2.4% Muslim – 1.8% Others – 8.1%
Government	Constitutional Monarchy
Head of Government	Prime Minister
Legislature	Modified Unicameral Parliament
Constitutional Document	The Constitution of the Kingdom of Norway
Economy	The Norwegian economy is an example of a mixed economy, a prosperous capitalist welfare state featuring a combination of free market activity and large state ownership in certain key sectors. Norwegians enjoy the second highest GDP per-capita (after Luxembourg) and fourth highest GDP (PPP) per-capita in the world. The country is richly endowed with natural resources including petroleum, hydropower, fish, forests, and minerals.
Currency	Norwegian Krone (NOK)
GDP (2012)	Total – NOK 2,956.87 billion Per capita – NOK 587,531 Real GDP growth – 3.1%
Population	4,722,700 (approx.)
Percentage of population	Norwegian – 94.4% Other European – 3.6% Others – 2%
Area	323,802 km ²
Time zone	CET (UCT +1) CEST (UCT +2)
Public Holidays	13
Climate	Temperate along coast, modified by North Atlantic Current; colder interior with increased precipitation and colder summers; rainy year-round on west coast



Sources: Central Intelligence Agency, International Monetary Fund, Global

Norway

Norway is a highly developed, industrial country with an open, export-oriented economy. Listed as one of the richest countries in the world, it has also achieved top-rankings with regard to standard of living, life expectancy, overall health and housing standards.

The high level of material wealth is partly due to an abundance of natural resources, and partly due to Norway's inclusion in the industrialization of Western Europe, as a result of its close proximity to the major markets. Norway has actively implemented the restructuring measures needed to achieve economic growth. Extensive trade and contacts with other countries have given Norwegian industry a foundation on which to develop an advanced economy. High investments in production equipment, improved and extended education as well as technical and organizational expertise in industry and public administration have also helped to promote growth.

The Twentieth Century represented a period of continuous vigorous economic growth in Norway. Since the 1970s, the offshore oil industry has played a dominant role in the Norwegian economy. Only 21% of Norway is productive land (3% cultivated land and 18% productive forest). Norway is not a member of the European Union (EU), but participates in the EU common market as a signatory to the European Economic Area (EEA) Agreement between the countries of the EU and the European Free Trade Association (EFTA).

The Norway Business Climate

As a small, but highly developed nation, Norway is among the biggest in the world in several economic sectors. A wide range of opportunities, combined with a good economic framework and a stable political environment should make Norway an interesting long term investment case. This section contains an outline of Norway's comparative advantages:

- **Innovation:** Advanced technology through considerable investment in education, research and development and innovation.
- **Highly skilled labor force:** Highly educated workforce where women are well represented. Norwegian universities and colleges are well funded and conform to European guidelines, ensuring its students are internationally competitive.
- **Safe business environment:** Stable and transparent political framework that ensures a predictable and transparent business environment with minimal corruption, respected judicial system and a well-functioning market.
- **High purchasing power:** Due to the strong economy, high standard of living and favorable exchange rate, Norway is an attractive export market.
- **Responsible resource management of substantial oil and gas reserves:** Attained through fiscally responsible spending and investment of government surpluses via the Government Pension Fund, the country's sovereign wealth fund. Prudent financial regulations ensure a robust financial and banking system.
- **Technological advanced environmental solutions:** Supported by a growing environmental industry. Strict rules and environmental regulations have ensured that Norwegian industries have made the environment a priority and also allowed the environmental industry to develop.
- **Untouched natural surroundings:** Offer a rewarding cultural experience. Fjords, waterfalls and northern lights make Norway an ideal tourist destination. A wide range of culturally related products are exported, catering to international markets.



Setting up a Business in Norway

Few countries can beat Norway when it comes to quality of life. The world's third biggest oil exporter after Saudi Arabia and Russia, Norway is a wealthy, stable democracy with an enviable ability to balance free-market capitalism and social welfare. The business climate is surprisingly benign, with a flat Corporation Tax rate of 28%. It is fairly straightforward to open a Norwegian company, provided you comply with the formalities.

To start a business, you have to be at least 18 years of age and not under suspension from a previous bankruptcy. As a foreign citizen you have to apply for a personal identification number or D-number. If a D-number has not been allocated, the Central Coordinating Register for Legal Entities will requisition one from the Norwegian national census register (Sentralkontoret for folkeregistrering). The basic steps to set up a business in Norway are the followings:

- **Verify the availability of the company name:** This is done at the Securities and Exchange Commission (SEC) and takes 1 day to complete. A minimum fee is required to reserve the name for a month. The reservation is valid for maximum of 90 days within which the application for incorporation should be filed or renewed.
- **Obtain bank certificate of deposit for the paid-in capital:** This is done at a preferred bank and takes 1 day to complete. Fees will vary depending on the bank.
- **Prepare and register incorporation papers:** File the incorporation papers with SEC. This takes 7 to 30 days to complete depending on the complexity of provisions in the incorporation documents. The fee will depend on initial capitalization. Documentation required includes: a verification slip with the company name; bank certificate of deposit; articles of incorporations and by-laws; an affidavit from the treasurer; and other necessary documentation. Forms and check list are available at the SEC.
- **Pay Documentary Stamp Tax on original issuance of shares:** Within the first 5 days of the month, following the issuance by SEC of Certificate of Incorporation, a Documentary Stamp Tax must be paid to the Bureau of Internal Revenues (BIR).
- **Obtain a company Community Tax Certificate (CTC):** This may be obtained from the barangay office or city hall and takes about 2 days.
- **Apply for Barangay or District Clearance:** This is filed with the barangay office and takes about 2 days.
- **Obtain a Mayor's Business Permit:** This is done at the City Hall Business Licensing Office and will take 2 weeks minimum. Fee will depend on the declared capital. Ask the licensing office for a checklist with regards to documentation.
- **Register corporation as taxpayer:** Proceed to BIR. The process will take about 4 days. The registration fee is minimal.

Types of Business Structures in Norway

The Norwegian government is generally positive toward all investments, foreign and local. Invest in Norway is an affiliate of the Norwegian Industrial and Regional Development Fund (Statens Narings og Distriktsutviklingsfond – SND), whose main purpose is to enhance profitable business and economic trade development throughout the entire country. It will contribute to product development and new establishments as well as expansion. The SND provides aid through loans, guarantees, subsidies, and investments with share capital stocks.

One of the first questions arising when a new business entity is formed, is what type of enterprise will offer the most benefits for the kind of business one intends to establish. Unfortunately, there is no single, definite answer to that question. You will have to consider the pros and cons, and perhaps seek advice from someone who has been in the same position, or from accountants, auditors, lawyers or other professionals before the final choice is made. When you start a new and probably small company, you normally face the following alternatives:

- **Sole Proprietorships:** The sole proprietorship is a type of organization where a single and real person is responsible for the business. As indicated by the term identifying the type of business, such a company will have just one owner. In such a company you have extensive financial freedom. You are, however, also financially responsible for all debts and obligations incurred by the company. Note that there is no distinction between personal and enterprise liabilities, you are personally responsible for the company's debts, even with your personal wealth and possessions.
- **Unlimited Liability Partnerships:** In a company with unlimited liability there are two or more owners, often referred to as companions (partners). In such a company the owners have a personal responsibility for the overall liability of the company, in full or in part, however, in a way that collectively covers the debt of the company. In practical terms we distinguish between two main types of unlimited companies:
 1. **ANS (Responsible Company):** In this kind of unlimited liability company each owner has a personal responsibility for all debts (solidarity responsibility). The amount of debt one owner is unable to cover, may be charged each one of the other owners.
 2. **DA (Collective Responsibility):** In this kind of unlimited liability company the owners are collectively responsible for all debts. However, each owner is responsible only for a part corresponding to his/her part of the ownership.
- **Limited Liability Companies (AS):** The owner(s) do not bear personal liability for the company's commitments. The owner(s) must put up share capital of at least NOK 100,000. They can normally only lose their initial stake in the company.
- **Public Limited Companies (ASA):** This structure should have much in common with an AS but, among other things, it has to have share capital of at least NOK 1,000,000.
- **Norwegian Branch of a Foreign Company (NUF):** The foreign company is liable for the business of the Norwegian branch. The branch will normally be liable for tax and other deductions in Norway, and must otherwise comply with Norwegian regulations just like any other Norwegian company. There are no capital requirements for an NUF.
- **Cooperatives (SA):** Cooperatives have independent grouping which must have at least two owners, none of whom bear any personal liability for the commitments of the enterprise. This legal structure is user-owned and managed.
- **Foundations:** Foundation is formed when an asset is independently provided by way of a will, bequest or other legal arrangement for a specific purpose of a non-profit, humanitarian, social, educational, economic or other nature. Commercial foundations must have minimum paid-up capital of NOK 200,000.

Taxation

The Norwegian tax system is based on the principle that everybody should pay tax according to their means. Taxes comprise the main income for the public sector in Norway. The taxes that we pay are spent on public services such as healthcare (hospitals, nursing homes) education (schools, colleges, universities) transport and communications (roads, railroads, airports). In addition to covering joint expenses, taxes are designed to contribute to greater equality between individuals. A distinction is drawn between direct and indirect taxes:

- Direct taxes comprise income tax, that is, tax levied on our earnings from employment or business activities, interest on bank deposits etc., as well as wealth tax.
- Indirect taxes are taxes included in the price of goods and services. Value-added tax (VAT) is the most commonly used indirect tax.

Special taxes (excises) are paid on some products with the aim of reducing consumption; such as alcohol, tobacco and oil products. Import duties are paid on goods and services bought from abroad.



To operate a business in Norway, you must register with the Central Coordinating Register for Legal Entities and contact your local tax office to determine the amount of advance tax that you should pay. If you are a foreign businessperson, you must contact the Central Office - Foreign Tax Affairs in order to determine the amount of advance tax. Anyone engaged in business in Norway must inform the tax authorities of their income, wealth and income deductions. This is done by completing the Tax Return you receive in March/April the year following the income year. If you are a foreign businessperson, you will receive your Tax Return from the Central Office - Foreign Tax Affairs in February the year following the income year. If you choose to submit a paper copy of the Tax Return for businesspersons, this must be done by 30 April, alternatively you can submit it online by 31 May. Once the tax office has processed your Tax Return, you will receive a tax settlement notice. You will be able to see what income the tax calculation is based on and whether you have paid too much or not enough tax. You should check the tax settlement notice against the information you provided in your Tax Return. The corporate tax is 28% in 2013. Value added tax (VAT) applies at each stage of production and distribution to most goods and services. The standard rate is 25% and businesses with annual turnover above NOK 50,000 must register for VAT purpose.

Investment Incentives in Norway

There are few tax incentives in Norway. Lately, the rate structure of the capital allowances regime has been revised, in order to become more closely aligned with assumed financial depreciation. Thus, the formerly beneficial regimes for ships and certain other types of assets are now mainly a thing of the past.

The tonnage tax regime is aimed at aiding the shipping business. In addition, there is a beneficial capital allowances regime for the development of a large-scale plant for cold compression of natural gas in northern Norway. Companies conducting research and development may be awarded a tax relief, provided that the research program has been approved by the Research Council of Norway. The tax relief is under normal conditions limited to 18% of the company's R&D costs, with a maximum relief of NOK 5.5 million. However, under specific conditions the tax relief may be awarded with an amount corresponding to 20% of the company's R&D costs, with a maximum tax relief of NOK 11 million. A new regulation for such tax relief was implemented with effect from 1 January 2011. Employers' social security contributions range from 0% to 14.1% depending on where the employer is located.

To directly assist in establishing business in remote areas, a regional development fund has been established through which enterprises may obtain loans or grants for the establishment of businesses. In various regions of Norway there are public offices giving advice to newly established businesses. The scope may vary between the municipalities.

Immigration and Visa Requirements

If you are going to work in Norway, you will as a main rule need a residence permit. If you are a self-employed person who is to engage in permanent business activities in Norway, you can be granted a residence permit as a self-employed person. It is a condition that it concerns a personal business (sole proprietorship), for which you will be personally liable for the business commitments. You can hand in your application at a Norwegian embassy or consulate in your home country or the country where you have held a residence permit for the last six months. In some countries you will hand in the application at the Swedish or Danish embassy instead.



Banking Requirements

In order to open a bank account in Norway, you will need to provide your Norwegian National Identification Number. Some banks also accept a D-number. If you plan to stay in Norway for more than six months, you can obtain an identity number or D-number at the Norwegian Tax Administration. The identity number consists of 11 digits: your date of birth plus a personal code. It isn't possible to register with the office unless you are entitled to stay and/or work in Norway.

Once you have decided which bank is best suited to you, and you have your identification number, you can open your account in a branch. You will have to show up personally to sign the account agreement. Bring your passport, a passport photo and your Norwegian national identity number. Some banks may also ask you to provide a letter of recommendation from your bank in your home country. For some countries additional documentation may be required. You may be asked if you plan to transfer money out of Norway. Most banks will give you your debit/credit cards on the same day you open your account, and your PIN number will arrive by post. To apply for a credit card you may have to document employment and salary.

When you move from Norway you should return your bank card. Usually you have to pay an annual fee to keep the card even if the account is 0. You can still keep your bank account and internet bank.

Reference

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