

VAT OBLIGATIONS FOR FOREIGN COMPANIES PERFORMING BUSINESS IN NORWAY

Introduction

The Norwegian VAT Act is largely based on the same principles as in the EU. However, since Norway is not a member of the EU, Norwegian VAT regulations differ from the EC VAT Directive in several aspects. Foreign companies conducting business in Norway may be subject to certain obligations related to Norwegian VAT. This memo provides a summary of relevant VAT regulations when conducting business in Norway, together with some related topics. The most important aspects of Norwegian VAT are as follows:

- In principle, the supply of goods and services in Norway are liable to VAT.
- The seller/service provider is as a main rule responsible for calculating the VAT. This also applies for foreign companies.
- A company must register in the Norwegian VAT register when VAT liable sales exceeds NOK 50 000 within a 12-month period. A company that is neither established nor resident in Norway shall be registered through a VAT representative domiciled in Norway.
- By disregarding the VAT obligations, surtaxes or penalty interests may be imposed on the company.

VAT obligations

- The supply of goods and services in Norway are as a main rule liable to VAT unless otherwise exempted.
- Exempted services include financial services, health and social services, educational services and sales of property. The letting of property is ordinarily regarded as an exempted service, but the lessor can choose to calculate VAT on the lease by applying for a voluntarily registration.
- The ordinary VAT rate in Norway is 25% of the sales price. Some goods and services have a reduced rate or are zero rated.
- The seller/service provider is as a main rule responsible for calculating and paying accrued VAT. The Norwegian reverse charge mechanism is only applicable on services capable of delivery from a remote location that are delivered from a company domiciled abroad (such as online services). We emphasise that for all other services than those regarded capable of delivery from a remote location, i.e. physical services, the seller/service provider is responsible for any VAT liability according to the main rule. This is different from the EU reverse charge scheme.
- Input VAT on purchases and imported goods used in the business activities that are liable to VAT can be deducted by the company. The deduction of VAT is made through the ordinary VAT return form.

Registering in the Norwegian VAT register

- A company has an obligation to register in the Norwegian VAT register from when VAT liable sales exceed NOK 50 000 within a rolling 12-month period. Only sales which the company shall calculate VAT on in Norway are included. Registration is performed by application to the Central Coordinating Register for Legal Entities and the tax office.

- Taxable persons with no registered place of business or residence in Norway shall be registered through a VAT representative domiciled in Norway. The representative is jointly responsible for any liable VAT. All invoices for goods and services supplied by the foreign company shall be submitted via the representative. Registration through a representative involves the same rights and obligations for the company as ordinary VAT registration.
- Companies registered in the VAT register shall normally file bi-monthly VAT returns. However, companies with input VAT that exceeds output VAT, and companies with less than NOK 1 m in VAT liable sales can apply for different reporting periods.

Customs procedures, import duty and customs credit

- Since Norway is not a member of the EU, all shipments of goods must be declared when entering Norway. Import VAT will be calculated by the customs authority, based on the customs value of the goods.
- Companies registered in the Norwegian VAT register and Business register may apply for a customs credit (also known as a duty deferment account). A customs credit means that import VAT and duties are not liable until after importation.
- The importer of the goods is as a main rule responsible for declaring and paying VAT when importing goods to Norway. Therefore the foreign company that is registered for VAT in Norway is responsible for the VAT liable on the importation.

Consequences of not complying with Norwegian VAT regulations

- If the VAT Act is not complied with, surtaxes or penalty interests may be imposed. The surtax may be up to 60%.