

1 Main tax policy features

1.1 The tax policy of the Government

The Government will use the tax system to fund public goods and services, ensure social mobility, achieve more efficient resource allocation, and improve conditions for Norwegian businesses. Private ownership shall be strengthened, and it shall be more profitable to work, save and invest.

The Government's main tax policy objective is to fund public goods and services in the most efficient manner. Furthermore, the Government will reduce the tax level to stimulate economic growth and to enhance the freedom of families and individuals. Taxes shall also stimulate more environmentally-friendly behaviour. Hence, improvements to the tax system form a key element of the economic policy of the Government, and are a principal policy measure for promoting economic growth.

Broad tax bases, low tax rates and equal tax treatment across industries, businesses and investments will contribute to resources being utilised in the best possible manner. These principles have been guiding the design of the tax system since the tax reform of 1992. The reform provided Norway with a more growth-oriented tax system. Tax bases were better aligned with actual corporate profits and returns on investments increased. The Storting has endorsed these fundamental principles through its deliberation of Report No. 4 (2015-2016) to the Storting; *Better Taxation – A Tax Reform for Transformation and Growth* (the Tax Report).

The competitiveness of Norway depends on the ability of our economy to change and to utilise resources in the best possible manner. This is achieved by ensuring that the general business framework makes it attractive to invest in Norway. Special arrangements and exemptions in the tax system will often channel resources into less productive uses.

Key achievements in the Government's tax policy

The Government has reduced overall taxes by about NOK 22.9 billion accrued since it took office. The Government has implemented, among others, the following changes as of 2017, inclusive:

- Income tax has been reduced for individuals and corporations. The lowering of the tax rate on ordinary income for individuals and corporations from 28 to 24 percent serves to stimulate savings and investments and makes the economy more conducive to growth. The reduction of marginal tax rates for individuals and the reduced allowance in tax class 2 strengthens work incentives. By also increasing the basic allowance for wage income, social benefits and pension income, broad groups of the population have benefited from the tax reductions.
- Net wealth tax has been reduced by about NOK 5.4 billion. The reductions stimulate savings, the inflow of Norwegian equity, as well as investments in the business sector. The rate has been reduced from 1.1 to 0.85 percent, and the basic allowance has been increased from NOK 870,000 to NOK 1.48 million. A valuation discount of 10 percent has been introduced for shares and operating assets and associated debt. The taxable valuation of commercial properties has, at the same time, been increased from 50 to 80 percent of estimated market value, the valuation of secondary dwellings has been increased from 50 to 90 percent and the valuation of holiday homes has been increased by 10 percent. This has resulted in more equal treatment of different assets.
- The Skattefunn research and development (R&D) tax incentive scheme for stimulating R&D in businesses has been expanded considerably. The maximum deductibility basis (cap)

for internal R&D costs has been increased from NOK 5.5 million to NOK 25 million, whilst the cap on the sum total of internal R&D and R&D outsourced to approved research institutions has been increased from NOK 11 million to NOK 50 million. In addition, the maximum hourly wage rate for internal personnel has been increased from NOK 530 to NOK 600.

- Taxes on businesses have, including the corporate tax rate reduction, been reduced by about NOK 6.1 billion.
- The inheritance tax has been abolished. This eases the liquidity strain of generational change and represents a major simplification.
- There has been a clear shift towards environmentally related taxes.
- Car taxes have been reduced by a total of about NOK 1.6 billion.
- The motor vehicle registration tax has been changed in an environmentally-friendly direction, and the engine power component has been phased out. This has served to increase the number of new zero- and low-emission cars, thus enabling the Storting's objective for 2020 of average CO₂ emissions of 85 grams per kilometre to be met three years ahead of time. At the same time, the average motor vehicle registration tax per new passenger car (including electric cars) was reduced by about NOK 35,000 over the four year Storting term.
- The marine engine tax, the annual tax on caravans, and the motor vehicle registration tax on vintage cars and amateur-built vehicles have been abolished.

1.2 Main features of the tax proposal for 2018

The outlook for the Norwegian economy is positive, cf. the discussion in Meld. St. 1 (2017 – 2018) *National Budget 2018*. The expansionary fiscal policy and broad tax reductions for businesses and individuals have paid off.

In order to sustain this positive development, the Government is giving priority to tax changes that strengthen the growth capacity of the economy, facilitate structural adjustment and create new jobs. The tax burden continues to be shifted from corporate tax and taxes on savings and labour to other taxes, whilst revenues from the resource rent industries are maintained. This is in line with international recommendations from, inter alia, the OECD.

A lower tax rate on ordinary income for individuals and corporations is especially growth inducing. This sends out a clear signal, along with the higher valuation discount for shares and operating assets for net wealth tax purposes, that investment in Norway shall be profitable. The Government is also making a number of proposals that will expand tax bases and improve the tax system.

Total new tax reductions in 2018 as the result of the Government's proposal are about NOK 3.0 billion accrued and NOK 0.7 billion booked. Dynamic effects of the tax proposal for 2018 are discussed in Section 1.3.

Direct taxes

The Government is committed to following up the tax reform in line with the parliamentary tax agreement. It is proposed that the tax rate on ordinary income for corporations and individuals be reduced from 24 to 23 percent in 2018. The petroleum tax and the tax on resource rent from hydropower are adjusted without any net effect on tax revenues. This involves increasing the special tax on petroleum income by 1 percentage point to 55 percent and reducing the rate of uplift (investment-based extra depreciation) from 5.4 to 5.3 percent per year. The tax on resource rent from hydropower production is increased by 1.4 percentage points to 35.7 percent. The upwards adjustment factor for dividends, etc., in ordinary income is increased from 1.24 to 1.33, thus implying that the

overall marginal tax rate on dividends is maintained at about the current level when considering corporate tax and personal dividend tax as a whole. The tax rate on profits in the financial industry will be maintained at 25 percent.

It is proposed that the marginal tax rate on wages be reduced for the vast majority of wage earners, with the largest reductions accruing to those earning the lowest incomes. This is achieved by increasing the rates applicable under the bracket tax by less than the reduction in the rate of tax on ordinary income. The rates under the bracket tax are increased by between 0.47 and 0.89 percentage points, with the smallest increases applied to lower incomes. Moreover, the Government proposes increasing the rate of the basic allowance for wage income and social benefits from 44 to 45 percent.

The Government is also following up the tax reform in accordance with the parliamentary tax agreement by proposing to increase the valuation discount for shares and operating assets in the net wealth tax from 10 to 20 percent in 2018.

The promotion of structural adjustment necessarily involves founding and developing new businesses. The Government therefore proposed, in the Revised National Budget 2017, a tax incentive scheme for long-term investments in start-up companies. Changes to the rules on the taxation of employee options to strengthen the ability of small start-up companies to attract qualified manpower are now being proposed, as announced by the Government in the Revised National Budget 2017.

A number of proposals to simplify the tax system and fund growth-inducing tax reductions for businesses and individuals are also being proposed. These include, inter alia, changes to the deduction rules for commuters food expenses, abolition of tax class 2 and abolition of the special discount for electric cars in the taxation of company cars.

The Government is following up on the recommendation of the (majority of the members of the) Sharing Economy Committee to abolish the current tax exemption for income from the short-term letting of owner-occupied housing.

The Government has been pursuing a dialogue with the European Commission and the ESA to bring about changes to the EEA rules in order to permit differentiated rates of employer's social security contributions for the energy and transport sectors. Such changes have now been adopted by the EU/EEA. The Government is therefore proposing the reintroduction of differentiated rates for transport and energy as of 2018.

The Government is also proposing several changes to the property tax rules, including changing the valuation rules for «works and installations» under the property tax in such a way that machinery and equipment shall no longer, as a main rule, be subject to property tax.

Indirect taxes

The Government is proposing a number of changes to improve the climate and environmental impetus of the tax system. Several of the proposals of the Green Tax Commission are followed up, such as to improve the pricing of environmental damage. The Government proposes, inter alia, that the CO₂ tax be made more cost effective by abolishing exemptions and low rates.

It is proposed, in follow-up of a petition resolution from the Storting, that the weight allowance against the motor vehicle registration tax for plug-in hybrid cars be differentiated by electric range from 1 July 2018. Electric cars will also be granted a full weight allowance as for plug-in hybrid cars when it now also is proposed to abolish the exemption from motor vehicle registration tax for electric cars. The proposal implies that only heavy electric cars, with a weight in excess of two tonnes, will be subject to motor vehicle registration tax. Electric cars will still be accorded signifi-

cant advantages in comparison with cars running on fossil fuels. In addition, the Government proposes that electric cars be exempted from re-registration tax and traffic insurance tax. The traffic insurance tax replaces the annual motor vehicle tax from 2018.

It is proposed that the low rate of value added tax be increased from 10 to 12 percent. This serves to strengthen value added tax as a general tax on consumption.

Other proposed tax changes

The Government is also proposing a number of other changes to the tax rules, with revenue effects in 2018:

- The personal allowance will be adjusted in line with wage growth.
- Certain limits will remain nominally unchanged. This applies, for example, to the trade union subscription allowance, the kilometre rates of the travel allowance, the parental allowance, the special allowance in Finnmark and North Troms, the agricultural allowance, the fishermen's and seamen's allowances, as well as the maximum annual savings under the home investment savings scheme for people below the age of 34 years (BSU).
- The rate of product tax on sales of landed fish will be increased from 2.2 to 2.3 percent.
- The basic allowance of the net wealth tax will remain nominally unchanged at NOK 1.48 million.
- The higher depreciation rate for electric vans will be restricted to electric vans acquired from 20 December 2016 onwards only.
- Salvage vessels and search and rescue vessels shorter than 15 metres will be exempted from value added tax.
- The exemption from value added tax for the sales from charitable and non-profit institutions and associations will be expanded.
- The exemption from value added tax for electricity to northern Norway will be expanded.
- The biofuel sales requirement will be increased.
- The purchase of operating assets in reindeer husbandry operations will be exempted from tax.
- Pilot charges and the sales tax on pharmaceutical products will be reduced, whilst the supervision fee for the Financial Supervisory Authority of Norway and the sectoral fee for the Petroleum Safety Authority Norway will be increased.
- The citizenship fee, which has been overpriced, will be reduced.

1.3 Dynamic effects

Lower tax rates may serve to improve resource allocation and stimulate economic growth. Part of the immediate loss of revenues will thus be offset by an expansion of the tax bases. The tax reductions may thereby be self-financing to some extent. An expansion of the tax bases may take place over many years. The associated increase in revenues can therefore not be included in the current fiscal year. The budgetary room for manoeuvre will increase as and when tax bases expand and the level of tax revenues increases.

Different taxes have different effects on resource allocation in the economy. Some taxes improve the allocation of resources, such as taxes that correct for damage caused to health and the environment. Other taxes, such as taxes on resource rents, are neutral. However, most taxes result in individuals and businesses changing their decisions in such a way as to utilise resources less efficiently. Taxes on labour will, for example, make it less profitable to work. Correspondingly, it becomes less profitable to repay debts and deposit money in the bank or invest them in shares if part of the return

has to be paid in tax. Taxes on business profits result in fewer investments in Norway being profitable.

Most of the tax revenues need to come from taxes that have a negative impact on the economy. Relying more heavily on taxes that have little impact on the decisions of individuals and businesses, and having low tax rates on broad bases rather than higher rates on narrow bases, minimises such negative effects. High tax rates provide strong incentives to change behaviour and make it profitable to evade or avoid such tax. This inhibits economic growth.

Tax reductions may therefore serve to improve resource allocation and to stimulate economic growth. Some forms of tax reduction will have a more positive impact than others. Economic research indicates, for example, that lower tax rates on business profits and labour, in particular, may entail significant positive effects. The Tax Commission refers to international research and adopts the assumption that taxes on immovable property and on consumption have a less inhibiting effect on economic growth than other types of taxes, cf. the NOU 2014: 13 green paper; *Capital Taxation in an International Economy*. The Commission notes that traditional corporate tax and personal income tax (taxes on labour and capital income) have the strongest negative impact on economic growth.

The Government's tax proposal for 2018 is in line with economically well-founded recommendations as to which tax reductions will improve resource allocation and stimulate economic growth. The Government proposes to reduce the tax rate on ordinary income for companies by 1 percentage point in accordance with the parliamentary tax reform agreement. This will strengthen the growth capacity of the mainland economy by stimulating increases in investment and labour supply over time. A lower corporate tax rate, in particular, is expected to have a positive effect. Estimates from the Tax Commission suggest that the degree of self-financing of the implemented corporate tax changes may be in the range of 20 – 40 percent over time.

A reduced tax rate on ordinary income for individuals, combined with a somewhat higher level of bracket tax, will reduce the marginal tax rate on both labour and savings. The overall marginal tax rate on labour will, under the Government's proposal, be reduced by between 0.1 and 0.5 percentage points for those who pay bracket tax. Consequently, the proposal will stimulate work, and may involve an element of self-financing over time.

There is considerable uncertainty as to the degree of self-financing, but calculations made on the Statistics Norway simulation model LOTTE-Arbeid suggest that the degree of self-financing of the combination of a lower tax rate on ordinary income, new bracket tax and other elements of the tax proposal that can be calculated in the model is about 14 percent.

The Government's proposal for a reduction in the tax rate on ordinary income for individuals will, when taken in isolation, reduce the marginal tax rate on capital income by 1 percentage point. This will increase interest rates after tax, increase the value of interest income and reduce the value of the deductibility of interest. Empirical research indicates that the overall effect of a higher return after tax is to increase savings, but the magnitude of such effect is uncertain.

The proposed reduction in the valuation of shares and operating assets for net wealth tax purposes will also increase the return after tax from investing in shares and operating assets for those above the net wealth tax threshold. Furthermore, the preferential treatment of investments in commercial property, as compared to investments in other business activities, for net wealth tax purposes is reduced. The proposal may serve to channel a larger portion of savings into investment in business activities. It may also serve to increase investment undertaken by businesses that rely on Norwegian equity to implement their projects. The Government's proposal for a net wealth tax reduction is assumed, against this background, to have a positive long-term effect on the Norwegian economy and Norwegian jobs.

The Ministry assumes that it will take time for dynamic effects of the Government's proposed changes to income and net wealth tax to influence tax revenues. The Ministry is therefore not including any dynamic effects of these changes in the 2018 budget. It is assumed, on the other hand, that changes in indirect taxes will affect prices and demand already in 2018. The estimated tax revenue from changes to most excise duties therefore take into account that the tax base changes when the tax rates are changed.

1.4 Revenue effects of the proposed tax changes

Table 1.1 provides an overview of the revenue effects of the Government's proposals. The revenue effects of the tax proposal are calculated relative to the benchmark system for 2018. The benchmark system for 2018 is based on the 2017 rules with relevant adjustments, the most important being adjustments for estimated price, wage or wealth growth.

Allowances and limits, etc., in the general rate structure for personal taxation have largely been adjusted to the 2017 level using estimated wage growth of 3.0 percent. Special allowances and other limits in personal taxation have largely been adjusted in the benchmark system using an estimated consumer price growth rate from 2017 to 2018 of 1.6 percent. This means that a taxpayer who only qualifies for standard reliefs and whose ordinary income and personal income both increase by 3.0 percent will have about the same average income tax level in the benchmark system for 2018 as in 2017. In the benchmark system for indirect taxes, all unit taxes have been adjusted by the estimated consumer price growth from 2017 to 2018. In real terms, the benchmark system thus entails no change in tax levels from 2017 to 2018.

Table 1.1 Estimated revenue effects of the tax proposal for 2018. Negative figures represent tax reductions. The estimates have been calculated relative to the benchmark system for 2018. NOK million

| | Accrued | Booked |
|---|----------|----------|
| Income tax for individuals | 2 | 0 |
| Reduce the rate on ordinary income for individuals to 23 pct., incl. adjusted dividend tax ¹ | -11,315 | -9,050 |
| Increase the bracket tax ² | 10,230 | 8,185 |
| Increase the rate of the basic allowance for wage income and social benefits to 45 pct. | -125 | -100 |
| Reduce the taxation of employee options for small start-up companies..... | -100 | -80 |
| Tighten the deduction rules for commuters food expenses..... | 750 | 600 |
| Abolish tax class 2 | 285 | 230 |
| Abolish the special discount for electric cars in the taxation of company cars | 210 | 168 |
| Adjust the personal allowance in line with wage growth | -80 | -65 |
| Tax the short-term letting of owner-occupied housing..... | 6 | 5 |

| | | |
|--|---------------|-------------|
| Maintain rates, limits and allowances unchanged in nominal terms, etc. | 141 | 107 |
| Net wealth tax | -765 | -610 |
| Increase the valuation discount for shares and operating assets and associated debt to 20 pct. Maintain the basic allowance unchanged in nominal terms. | -765 | -610 |
| Business taxation | -2,684 | -485 |
| Reduce the rate on ordinary income to 23 pct. for corporations | -2,700 | 0 |
| Adjust the petroleum tax with no net effect on tax revenues ³ | - | - |
| Adjust the tax on hydropower with no net effect on tax revenues ⁴ | 0 | 0 |
| The tax rate on profits will be maintained at 25 pct. for undertakings subject to Financial Activity Tax..... | 600 | 0 |
| Reduce the depreciation rate for electric vans acquired before 20 December 2016 | 1 | 3 |
| Reintroduce differentiated rates of employer's social security contributions for the energy and transport sectors ⁵ | -585 | -488 |
| Value added tax | 675 | 508 |
| Increase the low rate of value added tax from 10 to 12 pct. ⁶ | 700 | 530 |
| Expand the exemption for the sales from charitable and non-profit institutions and associations | -5 | -4 |
| Introduce a value added tax exemption for search and rescue vessels | -15 | -14 |
| Expand the exemption for electricity in northern Norway | -5 | -4 |
| Environmental taxes and car taxes | -199 | -99 |
| Introduce equal CO ₂ tax in the non-EU ETS sector ⁷ | 123 | 108 |
| Change the motor vehicle registration tax for hybrid cars and abolish the exemption from motor vehicle registration tax for electric cars, etc. | 460 | 420 |
| Increase the biofuel sales requirement | 0 | 0 |
| Increase the road usage tax on LPG | 3 | 3 |
| Exempt electric cars from traffic insurance tax | -75 | -55 |

| | | |
|--|---------------|---------------|
| Exempt electric cars from re-registration tax..... | -80 | -80 |
| Restructure the annual motor vehicle tax into a traffic insurance tax..... | -600 | -470 |
| Introduce a tax exemption on the purchase of operating assets in reindeer husbandry operations | -30 | -25 |
| Restructure the sulphur tax | 0 | 0 |
| Sectoral taxes and overpriced fees..... | -9 | -1 |
| Reduce pilot charges | -11 | -10 |
| Reduce the sales tax on pharmaceutical products | -29 | -22 |
| Increase the supervision fee for the Financial Supervisory Authority of Norway..... | 32 | 32 |
| Increase the sectoral fee for the Petroleum Safety Authority Norway..... | 6 | 6 |
| Reduce the citizenship fee..... | -7 | -7 |
| Aggregate new tax changes in 2018..... | -2,980 | -687 |
| Effect of decisions relating to the National Budget 2017 | -10 | -1,571 |
| Effect of decisions relating to the Revised National Budget 2017 | 0 | -1,455 |
| Aggregate proposed and adopted tax changes in 2018..... | -2,990 | -3,713 |

¹ The upwards adjustment factor for dividends is increased from 1.24 to 1.33.

² The bracket tax rates are increased to 1.4 pct. in bracket 1, 3.3 pct. in bracket 2, 12.4 pct. in bracket 3 and 15.4 pct. in bracket 4. The tax credit for pensioners is adjusted downwards to maintain the lower income tax threshold for pensioners.

³ The change has no effect on the net present value of future tax revenues. Revenues are reduced by NOK 200 million accrued and NOK 100 million booked in 2018. Transfers to the Government Pension Fund Global are reduced correspondingly. Consequently, the room for manoeuvre in the budget for 2018 is not affected by this change.

⁴ The increased rate of tax on resource rent will increase revenues by about NOK 165 million accrued in 2018, booked in 2019. It will have no net effect on tax revenues when considered in the context of the reduced rate of tax on ordinary income for the hydropower industry.

⁵ At the same time, grant schemes on the expenditure side of the budget totalling NOK 300.5 million are abolished.

⁶ Includes compensation on the expenditure side pursuant to government agreements concluded on the procurement of passenger transport services such as train, bus, air and ferry routes, as well as regulatory compensation schemes for the local government sector and the central government administration. The amount of such compensation is NOK 298 million.

⁷ Includes compensation on the expenditure side pursuant to agreements concluded on the government procurement of passenger transport services. The amount of such compensation is NOK 71 million.

Source: Ministry of Finance.

Table 1.2 presents estimated booked tax revenues for 2017, as well as estimates for 2016 and accounting figures for 2015, specified by chapter and item.

Table 1.2 Booked tax revenues specified by chapter and item. NOK million

| Chapter | Item | Description | Budget estimate 2017 | | | |
|---------|------|---|----------------------|--------------------|---------------------|------------------|
| | | | Accounts 2016 | Balanced budget | Estimate NB 2018 | Proposal 2018 |
| 5501 | | Taxes on wealth and income | | | | |
| | 70 | Bracket tax, net wealth tax, etc. | 42,177 | 54,040 | 55,300 | 66,400 |
| | 72 | Central government tax | 197,911 | 184,027 | 194,400 | 178,100 |
| 5502 | | Financial Activity Tax | | | | |
| | 70 | Tax on wages | - | 1,790 | 1,790 | 1,840 |
| | 71 | Tax on profits | - | - | - | 460 |
| 5506 | 70 | Tax on inheritance and gifts | 206 | - | 80 | - |
| 5507 | | Taxes on petroleum extraction | | | | |
| | 71 | Ordinary tax on wealth and income | 16,034 | 20,200 | 26,700 | 31,300 |
| | 72 | Special tax on petroleum income | 25,059 | 31,900 | 43,300 | 52,900 |
| | 74 | Area fee, etc. | 1,403 | 1,700 | 1,400 | 1,300 |
| 5508 | 70 | Tax on the emission of CO ₂ in petroleum activities on the continental shelf | 5,108 | 5,400 | 5,400 | 5,600 |
| 5509 | 70 | Tax on the emission of NO _x in petroleum activities on the continental shelf | 2 | 3 | 5 | 5 |
| 5511 | | Customs revenues | | | | |
| | 70 | Customs duties | 3,176 | 3,100 | 3,200 | 3,200 |
| | 71 | Auction revenue from customs quotas | 194 | 240 | 180 | 250 |
| 5521 | 70 | Value added tax | 266,172 | 270,300 | 266,700 | 291,500 |
| 5526 | 70 | Tax on alcoholic beverages | 13,503 | 13,500 | 13,600 | 13,800 |
| 5531 | 70 | Tax on tobacco products, etc. | 7,254 | 7,300 | 7,100 | 7,100 |
| 5536 | | Tax on motor vehicles, etc. | | | | |
| | 71 | Motor vehicle registration tax | 16,867 | 17,255 | 16,300 | 16,000 |
| | 72 | Traffic insurance tax | 10,526 | 9,700 | 9,600 | 7,100 |
| | 73 | Annual weight-based tax | 344 | 360 | 340 | 350 |
| | 75 | Re-registration tax | 1,404 | 1,445 | 1,480 | 1,450 |

| | | | | | | |
|------|----|--|--------|--------|--------|--------|
| 5538 | | Road usage tax on engine fuel | | | | |
| | 70 | Road usage tax on petrol | 5,517 | 5,560 | 5,400 | 5,200 |
| | 71 | Road usage tax on auto diesel | 9,630 | 10,735 | 10,000 | 10,200 |
| | 72 | Road usage tax on natural gas and LPG | 5 | 3 | 5 | 8 |
| 5541 | 70 | Electricity tax | 10,117 | 10,500 | 10,600 | 11,100 |
| 5542 | | Tax on mineral oils, etc. | | | | |
| | 70 | Base tax on mineral oils, etc. | 1,906 | 2,030 | 1,750 | 1,700 |
| | 71 | Tax on lubricating oils, etc. | 110 | 118 | 112 | 115 |
| 5543 | | Environmental tax on mineral products, etc. | | | | |
| | 70 | CO ₂ tax | 6,565 | 6,984 | 7,000 | 7,300 |
| | 71 | Sulphur tax | 11 | 15 | 10 | 10 |
| 5547 | | Tax on chemicals that are harmful to health and the environment | | | | |
| | 70 | Trichloroethene (TRI) | 8 | 37 | 1 | 1 |
| | 71 | Tetrachloroethene (PER) | 1 | 2 | 1 | 1 |
| 5548 | 70 | Tax on hydrofluorocarbons (HFC) and perfluorocarbons (PFC) | 404 | 467 | 490 | 515 |
| 5549 | 70 | Tax on the emission of NO _x | 50 | 52 | 50 | 50 |
| 5550 | 70 | Environmental tax on pesticides | 73 | 50 | 50 | 65 |
| 5551 | | Tax relating to the minerals industry | | | | |
| | 70 | Tax relating to subsea natural resources other than petroleum | 1 | 1 | 1 | 1 |
| | 71 | Tax relating to the right to explore and extract minerals pursuant to the Minerals Act | 3 | 2 | 2 | 2 |
| 5555 | 70 | Tax on chocolate and sugar products, etc. | 1,421 | 1,385 | 1,450 | 1,500 |
| 5556 | 70 | Tax on non-alcoholic beverages, etc. | 2,026 | 1,900 | 2,300 | 2,350 |
| 5557 | 70 | Tax on sugar, etc. | 203 | 205 | 205 | 210 |
| 5559 | | Tax on beverage packaging | | | | |
| | 70 | Base tax on disposable packaging | 1,718 | 1,725 | 1,880 | 1,950 |
| | 71 | Environmental tax on cartons | 54 | 50 | 40 | 40 |
| | 72 | Environmental tax on plastics | 39 | 40 | 35 | 35 |

| | | | | | | |
|-----------------------------------|----|---|---------|---------|-----------|-----------|
| | 73 | Environmental tax on metals | 8 | 5 | 10 | 10 |
| | 74 | Environmental tax on glass | 102 | 100 | 75 | 80 |
| 5561 | 70 | Air passenger tax | 927 | 1,625 | 1,800 | 1,850 |
| 5562 | 70 | Parimutuel betting tax | - | - | - | 135 |
| 5565 | 70 | Stamp duty | 8,501 | 8,600 | 9,000 | 9,300 |
| | | Sectoral taxes ¹ | 2,409 | 3,414 | 3,418 | 3,431 |
| 5583 | 70 | Taxes on frequencies, etc. | 297 | 295 | 293 | 294 |
| 5584 | 70 | Abolished taxes | 1 | - | - | - |
| 5700 | | National Insurance Scheme revenues | | | | |
| | 71 | Employee's social security contribution | 133,599 | 139,524 | 138,400 | 144,600 |
| | 72 | Employer's social security contribution | 171,325 | 177,134 | 175,800 | 182,200 |
| Total taxes via the fiscal budget | | | 964,368 | 994,818 | 1,017,053 | 1,062,908 |

¹ This is a composite item for sectoral taxes under the different ministries, relevant to multiple chapters and items. See Table 12.1 for a detailed overview.

Source: Ministry of Finance.

Table 1.3 presents booked effects of new proposals for rule changes in 2018, specified by chapter and item. The sum total of changes specified by chapter and item deviates somewhat from the sum total of booked effects of new tax changes in Table 1.1. This is because Table 1.1 deducts compensations on the expenditure side.

Table 1.3 Estimated booked revenue effects of the tax proposal for 2018, specified by chapter and item. Calculated relative to the benchmark system for 2018. NOK million

| Chapter | Item | Description | Change |
|---------|------|--|--------|
| 5501 | | Taxes on wealth and income ¹ | |
| | 70 | Bracket tax, net wealth tax, etc. | 7,262 |
| | 72 | Central government tax | -8,046 |
| | 73 | Tax on accumulated liabilities in shipping companies | 0 |
| 5502 | | Financial Activity Tax | |
| | 70 | Tax on wages | 0 |
| | 71 | Tax on profits | 0 |
| 5507 | | Taxes on petroleum extraction | |
| | 71 | Ordinary tax on wealth and income | 0 |

| | | | |
|------|----|---|------|
| | 72 | Special tax on petroleum income | 0 |
| | 74 | Area fee, etc. | 0 |
| 5508 | 70 | Tax on the emission of CO ₂ in petroleum activities on the continental shelf | 0 |
| 5509 | 70 | Tax on the emission of NO _x in petroleum activities on the continental shelf | 0 |
| 5511 | | Customs revenues | |
| | 70 | Customs duties | 0 |
| | 71 | Auction revenue from customs quotas | 0 |
| 5521 | 70 | Value added tax | 738 |
| 5526 | 70 | Tax on alcoholic beverages | 0 |
| 5531 | 70 | Tax on tobacco products, etc. | 0 |
| 5536 | | Tax on motor vehicles, etc. | |
| | 71 | Motor vehicle registration tax | 403 |
| | 72 | Traffic insurance tax | -465 |
| | 73 | Annual weight-based tax | 0 |
| | 75 | Re-registration tax | -80 |
| 5538 | | Road usage tax on engine fuel | |
| | 70 | Road usage tax on petrol | 0 |
| | 71 | Road usage tax on auto diesel | 37 |
| | 72 | Road usage tax on natural gas and LPG | 3 |
| 5541 | 70 | Electricity tax | 0 |
| 5542 | | Tax on mineral oils, etc. | |
| | 70 | Base tax on mineral oils, etc. | 0 |
| | 71 | Tax on lubricating oils, etc. | 0 |
| 5543 | | Environmental tax on mineral products, etc. | |
| | 70 | CO ₂ tax | 142 |
| | 71 | Sulphur tax | 0 |
| 5547 | | Tax on chemicals that are harmful to health and the environment | |
| | 70 | Trichloroethene (TRI) | 0 |

| | | | |
|--|----|--|------|
| | 71 | Tetrachloroethene (PER) | 0 |
| 5548 | 70 | Tax on hydrofluorocarbons (HFC) and perfluorocarbons (PFC) | 0 |
| 5549 | 70 | Tax on the emission of NO _x | 0 |
| 5550 | 70 | Environmental tax on pesticides | 0 |
| 5551 | | Tax relating to the minerals industry | |
| | 70 | Tax relating to subsea natural resources other than petroleum | 0 |
| | 71 | Tax relating to the right to explore and extract minerals pursuant to the Minerals Act | 0 |
| 5555 | 70 | Tax on chocolate and sugar products, etc. | 0 |
| 5556 | 70 | Tax on non-alcoholic beverages, etc. | 0 |
| 5557 | 70 | Tax on sugar, etc. | 0 |
| 5559 | | Tax on beverage packaging | |
| | 70 | Base tax on disposable packaging | 0 |
| | 71 | Environmental tax on cartons | 0 |
| | 72 | Environmental tax on plastics | 0 |
| | 73 | Environmental tax on metals | 0 |
| | 74 | Environmental tax on glass | 0 |
| 5561 | 70 | Air passenger tax | 0 |
| 5562 | 70 | Parimutuel betting tax | 0 |
| 5565 | 70 | Stamp duty | 0 |
| | | Sectoral taxes ² | 6 |
| 5583 | 70 | Taxes on frequencies, etc. | 0 |
| 5700 | | National Insurance Scheme revenues | |
| | 71 | Employee's social security contribution | 158 |
| | 72 | Employer's social security contribution | -469 |
| Total changes in taxes and revenues via the fiscal budget ³ | | | -311 |

¹ The effects apply to central government and local government. Reference is made to Section 5.9 for a discussion of local government tax revenues.

² Reference is made to Table 12.1 for a specification of which sectoral taxes are being changed.

³ Deviations from Table 1.1 are caused by the deduction of compensations on the expenditure side and changes in fees, totalling NOK 376 million.

1.5 Distributional profile of the tax proposal

The tax system has a distributional effect as a result, inter alia, of average tax increasing with income. The dividend tax, which was introduced upon the tax reform in 2006, serves to increase average tax as a percentage of income for the highest income groups, cf. Section 2.6.

The Government's tax policy is characterised by growth-promoting reductions that have benefited large groups of the population.

The Government's tax proposal for 2018 provides reductions for broad population groups. About 88 percent of taxpayers will experience lower or more or less unchanged tax under the proposal, whilst about 12 percent of taxpayers will pay more tax. The portion of individuals paying more tax is largest in the groups with the highest incomes, primarily as the result of higher tax on dividends. The calculations do not take the distributional effects of lower corporate tax into account. A large portion of individuals in the lowest income groups will experience more or less unchanged tax. This needs to be considered in the context that these individuals pay relatively little tax. Overall, it is estimated that about 2 percent of taxpayers will experience a tax increase in excess of NOK 2,000. Their average gross income is NOK 1.1 million and their average tax increase is just over NOK 7,000.

The calculations encompass all changes in the income and net wealth taxation of individuals that are possible to include in the Statistics Norway tax model LOTTE-Skatt, representing total net tax reductions of NOK 1.6 billion accrued. The calculations on the effects of the tax proposal on various groups compare the tax implied by the Government's proposal with the tax implied by the benchmark system for 2018.

Some of the proposals concerning tax on income for individuals could not be included in the distributional calculations. This applies to tightening of the deduction rules for commuter expenses, abolition of the special discount for electric cars in the taxation of company cars, reduced taxation of employee options for small start-up companies and taxation of short-term letting of owner-occupied housing. These proposals increase revenues by about NOK 865 million accrued in 2018. Moreover, the analysis does not take into consideration the effects resulting from changes in business taxation, indirect taxes, customs duties, sectoral taxes and overpriced fees.

The calculations of distributional effects are made on current tax bases. The estimates must therefore be interpreted as the short-term effects. It is a challenge that the presentation of estimates which only encompass short-term distributional effects do not enable quantification of the effects of adjustments over time. A main objective of the Government's tax policy has been to make it more profitable to invest, work and save. A number of tax changes will result in adjustments of distributional relevance over time. There is a risk that measures whose effects can readily be calculated get too much attention, to the detriment of positive effects of a tax policy that expands investment and labour supply. Such effects will materialise gradually and are not as readily quantifiable.

There is thus a difference between distributional effects in the somewhat longer run, when the overall implications of a tax change have materialised, and in the very short run for any given fiscal year. Hence, tax changes that stimulate labour supply may promote increased equality. The abolition of tax class 2 strengthens work incentives and will over time contribute to more equal distribution if more stay-at-home spouses enter the labour force. Many immigrant women belong to this group, and increased labour force participation amongst them may serve to reduce child poverty. Corporate tax reductions will to begin with accrue to the owners, by way of an increase in profits. However, it is reasonable to assume that such corporate tax reductions will over time result in higher investment. Higher investment will contribute to making labour more productive, thereby resulting in higher real wages. Consequently, it is reasonable to assume that part of the corporate tax reductions will over time accrue to the employees.

Table 1.4 shows the average short-term impact of the tax changes in the Government's tax proposal for 2018 on various groups. All income groups will obtain tax reductions. About half of the tax reductions will accrue to individuals with a gross income of less than NOK 600,000.

The average tax reduction is about 0.1 percent of gross income, although the tax reduction is somewhat larger for the two groups earning the second lowest incomes, whose incomes are in the NOK 150,000 – 250,000 range. The average tax reduction, as measured in Norwegian kroner, is fairly similar for most income groups, but somewhat higher for the two top income groups.

The average tax reduction across all individuals is about NOK 400, of which the reduction in net wealth tax accounts for about NOK 200. The net wealth tax reductions in this budget are following up the tax reform in accordance with the parliamentary tax agreement, cf. Recommendation 273 (2015 – 2016) to the Storting. Moreover, the basic allowance in the net wealth tax system is kept unchanged in nominal terms.

Table 1.4 Estimated distributional effects of changes to personal taxation for all individuals aged 17 years or more. Negative figures represent tax reductions. The estimates have been calculated relative to the benchmark system for 2018

| Gross income. NOK | Number of taxpayers | Average tax under the benchmark system. Pct. | Average tax under the benchmark system. NOK | Average tax change | Change as a percentage of gross income | Of which: average net wealth tax change |
|---------------------|---------------------|--|---|--------------------|--|---|
| 0 – 150,000 | 560,200 | 4.9 | 3,000 | -100 | -0.1 | -100 |
| 150,000 – 200,000 | 236,500 | 6.2 | 11,000 | -300 | -0.2 | 0 |
| 200,000 – 250,000 | 307,000 | 9.4 | 21,100 | -400 | -0.2 | 0 |
| 250,000 – 300,000 | 337,800 | 14.0 | 38,500 | -300 | -0.1 | 0 |
| 300,000 – 350,000 | 356,600 | 17.1 | 55,700 | -300 | -0.1 | 0 |
| 350,000 – 400,000 | 340,000 | 19.6 | 73,300 | -300 | -0.1 | -100 |
| 400,000 – 450,000 | 341,500 | 21.4 | 91,000 | -300 | -0.1 | -100 |
| 450,000 – 500,000 | 314,900 | 22.6 | 107,300 | -300 | -0.1 | -100 |
| 500,000 – 600,000 | 526,500 | 24.0 | 131,300 | -300 | -0.1 | -100 |
| 600,000 – 750,000 | 445,900 | 26.3 | 174,600 | -400 | -0.1 | -200 |
| 750,000 – 1 million | 302,400 | 29.6 | 252,800 | -600 | -0.1 | -200 |
| 1 million and above | 242,500 | 35.7 | 571,600 | -1,700 | -0.1 | -1,800 |
| Total | 4,312,000 | 24.7 | 114,900 | -400 | -0.1 | -200 |

Sources: Ministry of Finance and the Statistics Norway tax model, LOTTE-Skatt.

The tax changes are favourable for the self-employed as a group. Aggregate tax reductions for this group will be about NOK 170 million. This represents an average tax reduction of about NOK 1,600, of which NOK 700 can be attributed to the net wealth tax reductions.

Aggregate tax reductions for wage earners as a group are estimated to be about NOK 880 million. This corresponds to an average tax reduction of NOK 400, of which about NOK 200 takes the form of net wealth tax reduction.

Those on retirement pension will obtain an aggregate tax reduction of about NOK 210 million. This corresponds to an average tax reduction of about NOK 200, of which more than 80 percent can be attributed to the net wealth tax reductions.

Recipients of social benefits will obtain an aggregate tax reduction of about NOK 200 million. This corresponds to an average tax reduction of about NOK 400.

Some of the proposals pertaining to tax on income for individuals are not included in the distributional calculations, cf. the discussion above. These changes come to an average of about NOK 200 across all taxpayers over the age of 17 years, but said changes cannot be specified by gross income or socioeconomic group.

1.6 Tax rates and thresholds

Table 1.5 shows tax rates, allowances and thresholds in 2017 and the Government's proposals for 2018. The general allowances and thresholds are rounded after adjustment for estimated growth in wages, pensions or prices from 2017 to 2018. The increases may therefore deviate somewhat from the level of the various growth estimates. Wage growth is estimated at 3.0 percent, consumer price growth at 1.6 percent and growth in the ordinary retirement pension at 2.2 percent. Reference is also made to the proposed tax decisions in this report and to the overview of allowances and thresholds at the Ministry's website.

Table 1.5 Tax rates, allowances and thresholds in 2017 and proposals for 2018

| | 2017 rules | Proposal 2018 | Change 2017 – 2018 |
|--|-------------|------------------|-----------------------|
| <i>Tax on ordinary income</i> | | | |
| Individuals ¹ | 24 pct. | 23 pct. | -1 pct. point |
| Corporations ² | 24 pct. | 23 pct. | -1 pct. point |
| <i>Tax on resource rent industries</i> | | | |
| Petroleum (special tax) ³ | 54.0 pct. | 55.0 pct. | 1 pct. point |
| Hydropower (tax on resource rent)..... | 34.3 pct. | 35.7 pct. | 1.4 pct. points |
| <i>Bracket tax</i> | | | |
| Bracket 1 | | | |
| Threshold..... | NOK 164,100 | NOK 169,000 | 3.0 pct. |
| Rate..... | 0.93 pct. | 1.4 pct. | 0.47 pct. points |
| Bracket 2 | | | |

| | | | |
|-------------------------|-------------|-------------|------------------|
| Threshold..... | NOK 230,950 | NOK 237,900 | 3.0 pct. |
| Rate..... | 2.41 pct. | 3.3 pct. | 0.89 pct. points |
| Bracket 3 | | | |
| Threshold..... | NOK 580,650 | NOK 598,050 | 3.0 pct. |
| Rate ⁴ | 11.52 pct. | 12.4 pct. | 0.88 pct. points |
| Bracket 4 | | | |
| Threshold..... | NOK 934,050 | NOK 962,050 | 3.0 pct. |
| Rate..... | 14.52 pct. | 15.4 pct. | 0.88 pct. points |

Employee's social security contribution

| | | | |
|---|------------|------------|---|
| Lower threshold for the payment of employee's social security contribution..... | NOK 54,650 | NOK 54,650 | - |
| Levelling rate | 25.0 pct. | 25.0 pct. | - |
| Rate | | | |
| Wage income..... | 8.2 pct. | 8.2 pct. | - |
| Fishing, hunting and childcare | 8.2 pct. | 8.2 pct. | - |
| Income from other self-employment..... | 11.4 pct. | 11.4 pct. | - |
| Pension income, etc. | 5.1 pct. | 5.1 pct. | - |

Employer's social security contribution

| | | | |
|----------------------------|-------------------|-------------------|---|
| Zone I | 14.1 pct. | 14.1 pct. | - |
| Zone Ia ⁶ | 14.1/10.6 pct. | 14.1/10.6 pct. | - |
| Zone II..... | 10.6 pct. | 10.6 pct. | - |
| Zone III..... | 6.4 pct. | 6.4 pct. | - |
| Zone IV..... | 5.1 pct. | 5.1 pct. | - |
| Zone IVa..... | 7.9 pct. | 7.9 pct. | - |
| Zone V..... | 0.0 pct. | 0.0 pct. | - |

Maximum effective marginal tax rates

| | | | |
|--|-------------|-------------|------------------|
| Wage income, excl. employer's social security contribution | 46.7 pct. | 46.6 pct. | -0.1 pct. points |
| Wage income, incl. employer's social security contribution | 53.3 pct. | 53.2 pct. | -0.1 pct. points |
| Pension income ⁷ | 43.6 pct. | 43.5 pct. | -0.1 pct. points |
| Income from self-employment ⁸ | 49.9 pct. | 49.8 pct. | -0.1 pct. points |
| Dividends ⁸ | 46.6 pct. | 46.6 pct. | - |
| <i>Personal allowance</i> | | | |
| Class 1 | NOK 53,150 | NOK 54,750 | 3.0 pct. |
| Class 2 | NOK 78,300 | - | abolished |
| <i>Basic allowance for wage income</i> | | | |
| Rate..... | 44.0 pct. | 45.0 pct. | 1 pct. point |
| Lower limit..... | NOK 4,000 | NOK 4,000 | - |
| Upper limit ⁹ | NOK 94,750 | NOK 97,610 | 3.0 pct. |
| <i>Basic allowance for pension income</i> | | | |
| Rate..... | 31.0 pct. | 31.0 pct. | - |
| Lower limit..... | NOK 4,000 | NOK 4,000 | - |
| Upper limit | NOK 81,200 | NOK 83,000 | 2.2 pct. |
| <i>Special wage income allowance</i> ¹⁰ | NOK 31,800 | NOK 31,800 | - |
| <i>Special allowance for single parents</i> | NOK 51,804 | NOK 51,804 | - |
| <i>Special tax credit for pensioners</i> | | | |
| Maximum amount..... | NOK 29,940 | NOK 29,950 | 0.0 pct. |
| Downscaling, bracket 1 | | | |
| Threshold..... | NOK 188,700 | NOK 193,250 | 2.4 pct. |
| Rate | 15.3 pct. | 15.3 pct. | - |

| | | | |
|---|-------------|-------------|-----------|
| <i>Downscaling, bracket 2</i> | | | |
| Threshold..... | NOK 284,350 | NOK 290,700 | 2.2 pct. |
| Rate..... | 6.0 pct. | 6.0 pct. | - |
| <i>The tax limitation rule</i> | | | |
| Levelling rate..... | 55.0 pct. | 55.0 pct. | - |
| <i>Tax-exempted net income</i> | | | |
| Single person..... | NOK 143,150 | NOK 147,450 | 3.0 pct. |
| Married person..... | NOK 131,600 | NOK 135,550 | 3.0 pct. |
| <i>Net wealth supplement</i> | | | |
| Rate..... | 1.5 pct. | 1.5 pct. | - |
| Single person..... | NOK 200,000 | NOK 200,000 | - |
| Married person..... | NOK 100,000 | NOK 100,000 | - |
| <i>Special allowance in Finnmark and North Troms</i> | | | |
| Class 1..... | NOK 15,500 | NOK 15,500 | - |
| Class 2..... | NOK 15,500 | - | abolished |
| <i>Seamen's allowance</i> | | | |
| Rate..... | 30.0 pct. | 30.0 pct. | - |
| Upper limit..... | NOK 80,000 | NOK 80,000 | - |
| <i>Fishermen's allowance</i> | | | |
| Rate..... | 30.0 pct. | 30.0 pct. | - |
| Upper limit..... | NOK 150,000 | NOK 150,000 | - |
| <i>Special allowance for income from self-employment in agriculture, etc.</i> | | | |
| Income-independent allowance..... | NOK 63,500 | NOK 63,500 | - |
| Rate applicable to amounts in excess of the income-independent allowance..... | 38.0 pct. | 38.0 pct. | - |
| Maximum overall allowance..... | NOK 166,400 | NOK 166,400 | - |

| | | | |
|---|---------------|---------------|----------|
| <i>Special allowance for high expenses due to illness¹¹</i> | | | |
| Lower limit | NOK 9,180 | NOK 9,180 | - |
| <i>Maximum annual allowance for payments to individual pension schemes¹²</i> | | | |
| | NOK 40,000 | NOK 40,000 | - |
| <i>Allowance for travel between home and work</i> | | | |
| Rate per km | NOK 1.56/0.76 | NOK 1.56/0.76 | - |
| Lower allowance limit | NOK 22,000 | NOK 22,350 | 1.6 pct. |
| <i>Maximum allowance for donations to charities</i> | | | |
| | NOK 30,000 | NOK 30,000 | - |
| <i>Maximum allowance for paid trade union subscriptions, etc.</i> | | | |
| | NOK 3,850 | NOK 3,850 | - |
| <i>Home investment savings scheme for people below the age of 34 years (BSU)</i> | | | |
| Tax deduction rate | 20.0 pct. | 20.0 pct. | - |
| Maximum annual saving | NOK 25,000 | NOK 25,000 | - |
| Maximum total savings in the scheme | NOK 300,000 | NOK 300,000 | - |
| <i>Parental allowance for documented child-care expenses</i> | | | |
| Upper limit | | | |
| One child | NOK 25,000 | NOK 25,000 | - |
| Supplement per additional child..... | NOK 15,000 | NOK 15,000 | - |
| <i>Net wealth tax¹³</i> | | | |
| Local government | | | |
| Threshold..... | NOK 1,480,000 | NOK 1,480,000 | - |
| Rate..... | 0.7 pct. | 0.7 pct. | - |
| Central government | | | |

| | | | |
|---|---------------|---------------|---|
| Threshold..... | NOK 1,480,000 | NOK 1,480,000 | - |
| Rate..... | 0.15 pct. | 0.15 pct. | - |
| Valuation discounts ¹³ | | | |
| Primary dwellings | 75 pct. | 75 pct. | - |
| Secondary dwellings (and associated debt) . | 10 pct. | 10 pct. | - |
| Shares and operating assets (incl. commercial property) and associated debt | 10 pct. | 20 pct. | - |
| <i>Financial Activity Tax</i> | | | |
| Financial Activity Tax on wages | 5 pct. | 5 pct. | - |
| <i>Depreciation rates</i> | | | |
| Asset group a (office equipment, etc.)..... | 30 pct. | 30 pct. | - |
| Asset group b (acquired goodwill)..... | 20 pct. | 20 pct. | - |
| Asset group c (heavy goods vehicles, lorries, buses, vans, etc.) ¹⁵ | 24/30 pct. | 24/30 pct. | - |
| Asset group d (passenger cars, machinery and equipment, etc.)..... | 20 pct. | 20 pct. | - |
| Asset group e (ships, vessels, rigs, etc.) | 14 pct. | 14 pct. | - |
| Asset group f (aircraft, helicopters)..... | 12 pct. | 12 pct. | - |
| Asset group g (facilities for the transmission and distribution of electricity and electrotechnical equipment in power companies) | 5 pct. | 5 pct. | - |
| Asset group h (buildings and installations, hotels, etc.) ^{16,17} | 4 (6/10) pct. | 4 (6/10) pct. | - |
| Asset group i (office buildings) | 2 pct. | 2 pct. | - |
| Asset group j (technical facilities in office buildings and other commercial buildings) | 10 pct. | 10 pct. | - |

¹ The rate will be reduced from 20.5 pct. in 2017 to 19.5 pct. in 2018 for taxpayers in North Troms and Finnmark.

² Tax on ordinary income for undertakings subject to Financial Activity Tax is 25 pct. in 2017 and is proposed to be maintained at the same level in 2018.

³ It is proposed that the uplift in the special tax is reduced from 5.4 pct. in 2017 to 5.3 pct. in 2018.

⁴ The rate in 2017 is 9.52 pct. in bracket 3 for taxpayers in North Troms and Finnmark, and will be increased to 10.4 pct. in 2018.

⁵ Income from self-employment within fishing and hunting, as well as childminding in own home (children below the age of 12 years or with special care and nursing needs) is subject to an 8.2 pct. social insurance contribution. A lower

social insurance rate for hunting and fishing has to do with the fact that these industries pay a product tax intended to, inter alia, make up the difference between the 8.2 pct. and the 11.4 pct. social insurance contribution rates.

- ⁶ Employer's social security contribution shall be paid in Zone 1a at a rate of 10.6 pct. until the difference between the employer's social security contribution paid at this rate by the enterprise and what employer's social security contribution such enterprise would have paid at a rate of 14.1 pct. equals the *de minimis* amount. The rate of 14.1 pct. shall be applied to any contribution base in excess thereof. In 2018, the threshold amount is NOK 500,000 per enterprise. The threshold amount is NOK 250,000 for cargo transport by road in Zone 1a.
- ⁷ For individuals who fall within the scope of the basic allowance for pension income, the maximum effective marginal tax rate may be up to 46.7 pct. under the Government's proposal.
- ⁸ Includes corporate tax and upwards adjustment factor for dividends, etc. In 2017, the corporate tax is 24 pct. and the upwards adjustment factor for dividends, etc., is 1.24. In 2018, the corporate tax is 23 pct. and the upwards adjustment factor for dividends, etc., is 1.33.
- ⁹ The sum of the basic allowance for wage income and the basic allowance for pension income shall not exceed the maximum basic allowance for wage income, i.e. NOK 97,610 for 2018.
- ¹⁰ A taxpayer earning wage income only qualifies for the higher of the basic allowance for wage income and the special wage income allowance.
- ¹¹ The special allowance for high expenses due to illness will be continued as per the 2017 rules.
- ¹² A new tax-favoured individual pension savings scheme was introduced in connection with the Revised National Budget for 2017. The maximum deduction under the new scheme is NOK 40,000. The old IPS scheme is continued with a maximum deduction of NOK 15,000 (coordinated with contributions under the new scheme, such as to cap the overall deduction at NOK 40,000) for those already saving under that scheme.
- ¹³ The thresholds apply to single taxpayers. For married couples who are assessed jointly for joint assets, the threshold is twice the level specified in the table.
- ¹⁴ The valuation discounts apply to assets owned directly by persons liable to pay net wealth tax.
- ¹⁵ The ordinary depreciation rate for asset group c is 24 pct., with a higher rate of 30 pct. for vans that are exclusively running on electricity.
- ¹⁶ Buildings with a design so simple that their economic life must be assumed not to exceed 20 years can be depreciated at a rate of 10 pct. The 10 pct. rate also applies to installations whose economic life must be assumed not to exceed 20 years.
- ¹⁷ Agricultural buildings for livestock can be depreciated at a higher rate of 6 pct.

Source: Ministry of Finance.

Table 1.6 shows current rates of value added tax and excise duties, as well as rate proposals for 2018. Basically all excise duties have been adjusted upwards by 1.6 percent to account for anticipated inflation. Minor deviations may be due to rounding of the rates. Reference is also made to the decision on indirect taxes in this proposition.

Table 1.6 Rates of indirect tax in 2017 and proposed rates for 2018

| Tax category | 2017 rules | Proposal 2018 | Change in percent |
|---|------------|---------------|-------------------|
| <i>Value added tax, pct. of sales value</i> | | | |
| Standard rate..... | 25 | 25 | - |
| Reduced rate..... | 15 | 15 | - |
| Low rate | 10 | 12 | 2 ¹ |
| <i>Tax on alcoholic beverages</i> | | | |

| | | | |
|--|--------|--------|-----|
| Spirits-based beverages in excess of 0.7 pct. alcohol by volume, NOK/pct. alcohol and litre | 7.46 | 7.58 | 1.6 |
| Other alcoholic beverages, from 4.7 to 22 pct. alcohol by volume, NOK/pct. alcohol and litre | 4.86 | 4.94 | 1.6 |
| Other alcoholic beverages, up to 4.7 pct. alcohol by volume, NOK/litre | | | |
| a) 0.0 – 0.7 pct. alcohol by volume | - | - | - |
| b) 0.7 – 2.7 pct. alcohol by volume | 3.34 | 3.39 | 1.5 |
| c) 2.7 – 3.7 pct. alcohol by volume | 12.54 | 12.74 | 1.6 |
| d) 3.7 – 4.7 pct. alcohol by volume | 21.72 | 22.07 | 1.6 |
| <i>Tax on tobacco products</i> | | | |
| Cigars, NOK/100 grams | 255 | 259 | 1.6 |
| Cigarettes, NOK/100 units | 255 | 259 | 1.6 |
| Smoking tobacco, NOK/100 grams | 255 | 259 | 1.6 |
| Snuff, NOK/100 grams | 103 | 105 | 1.9 |
| Chewing tobacco, NOK/100 grams | 103 | 105 | 1.9 |
| Cigarette paper, NOK/100 units | 3.90 | 3.96 | 1.5 |
| <i>Motor vehicle registration tax</i> | | | |
| Passenger cars, etc. Tax group a, ² | | | |
| Weight, NOK/kg | | | |
| first 350 | 0 | 0 | - |
| next 850 kg | 26.51 | 26.93 | 1.6 |
| next 200 kg | 66.05 | 67.11 | 1.6 |
| next 100 kg | 206.41 | 209.71 | 1.6 |
| remainder | 240.06 | 243.90 | 1.6 |

| | | | |
|--|----------|----------|-----|
| NO _x emissions, NOK per mg/km | 70.93 | 72.06 | 1.6 |
| CO ₂ emissions, NOK per g/km | | | |
| first 75 g/km..... | 0 | 0 | - |
| next 25 g/km..... | 914.70 | 929.34 | 1.6 |
| next 30 g/km..... | 995.49 | 1,011.42 | 1.6 |
| next 70 g/km..... | 2,685.98 | 2,728.96 | 1.6 |
| remainder..... | 3,449.80 | 3,505.00 | 1.6 |
| allowance for emissions below 75 g/km, applies down to 40 g/km and only to vehicles emitting less than 75 g/km . | 937.20 | 952.20 | 1.6 |
| allowance for emissions below 40 g/km, only applicable to vehicles emitting less than 40 g/km | 1,102.65 | 1,120.29 | 1.6 |
| Vans class 2. Tax group b, ³ | | | |
| weight, pct. of passenger car tax | 20 | 20 | - |
| NO _x emissions, pct. of passenger car tax | 75 | 75 | - |
| CO ₂ emissions, pct. of passenger car tax | variable | variable | - |
| Campervans. Tax group c, ⁴ | | | |
| pct. of passenger car tax | 22 | 22 | - |
| Weasels. Tax group e, | | | |
| pct. of value tax base | 36 | 36 | - |
| Motorbikes. Tax group, ⁵ | | | |
| Piston displacement , NOK/cm ³ | | | |
| first 125 cm ³ | 0 | 0 | - |
| next 775 cm ³ | 33.60 | 34.14 | 1.6 |
| remainder..... | 73.68 | 74.86 | 1.6 |
| CO ₂ emissions, NOK per g/km | | | |
| first 75 g/km | 0 | 0 | - |

| | | | |
|--|----------|----------|-----|
| next 65 g/km..... | 630 | 640.08 | 1.6 |
| Remainder | 800 | 812.80 | 1.6 |
| Snowmobiles. Tax group g | | | |
| Weight, NOK/kg | | | |
| first 100 kg | 13.79 | 14.01 | 1.6 |
| next 100 kg..... | 27.58 | 28.02 | 1.6 |
| remainder..... | 55.14 | 56.02 | 1.6 |
| Engine power , NOK/kW | | | |
| first 20 kW | 22.15 | 22.50 | 1.6 |
| next 20 kW..... | 44.30 | 45.01 | 1.6 |
| remainder..... | 88.58 | 90.00 | 1.6 |
| Piston displacement, NOK/cm ³ | | | |
| first 200 cm ³ | 2.43 | 2.47 | 1.6 |
| next 200 cm ³ | 4.86 | 4.94 | 1.6 |
| remainder..... | 9.69 | 9.85 | 1.7 |
| Taxis. Tax group h, ⁶ | | | |
| weight, pct. of passenger car tax | 40 | 40 | - |
| NO _x emissions, pct. of passenger car tax | 100 | 100 | - |
| CO ₂ emissions, pct. of passenger car tax | variable | variable | - |
| Minibuses. Tax group j, ⁷ | | | |
| pct. of passenger car tax | 40 | 40 | - |
| <i>Annual motor vehicle tax, NOK/year</i> | | | |
| Petrol vehicles and diesel vehicles with a factory-fitted particle filter..... | 2,820 | - | - |

| | | | |
|--|----------|----------|------|
| Diesel vehicles without a factory-fitted particle filter | 3,290 | - | - |
| Motorbikes | 1,960 | - | - |
| Tractors, mopeds, etc..... | 455 | - | - |
| <i>Traffic insurance tax, NOK/day⁸</i> | | | |
| Petrol vehicles and diesel vehicles with a factory-fitted particle filter..... | 7.73 | 7.85 | 1.6 |
| Diesel vehicles without a factory-fitted particle filter..... | 9.01 | 9.15 | 1.6 |
| Motorbikes | 5.37 | 5.46 | 1.7 |
| Tractors, mopeds, etc..... | 1.25 | 1.27 | 1.6 |
| <i>Annual weight-based tax, NOK/year</i> | variable | variable | - |
| <i>Re-registration tax</i> | variable | variable | - |
| <i>Road usage tax on engine fuel</i> | | | |
| Petrol, NOK/litre ⁹ | 5.19 | 5.27 | 1.5 |
| Auto diesel, NOK/litre ¹⁰ | 3.80 | 3.86 | 1.6 |
| Bioethanol subject to the sales obligation, NOK/litre..... | 5.19 | 5.27 | 1.5 |
| Biodiesel subject to the sales obligation, NOK/litre | 3.80 | 3.86 | 1.6 |
| Natural gas, NOK/Sm ³ | 0 | 0 | - |
| LPG, NOK/kg | 1.43 | 2.23 | 55.9 |
| <i>Electricity tax, øre/kWh</i> | | | |
| Standard rate..... | 16.32 | 16.58 | 1.6 |
| Reduced rate..... | 0.48 | 0.48 | 0 |

Base tax on mineral oils, etc.

| | | | |
|--|-------|------|------|
| Mineral oil, NOK/litre..... | 1.603 | 1.63 | 1.7 |
| Mineral oil in the pulp and paper industry, production of dyes and pigments, NOK/litre | 0.147 | 0.20 | 36.1 |

| | | | |
|---|------|------|-----|
| <i>Tax on lubricating oils, NOK/litre</i> | 2.17 | 2.20 | 1.4 |
|---|------|------|-----|

CO₂ tax

| | | | |
|-------------------------|------|------|-----|
| Petrol, NOK/litre | 1.04 | 1.06 | 1.9 |
|-------------------------|------|------|-----|

Mineral oil

| | | | |
|--------------------------------|------|------|-----|
| standard rate, NOK/litre | 1.20 | 1.22 | 1.7 |
|--------------------------------|------|------|-----|

| | | | |
|--|------|------|-----|
| domestic EU ETS aviation, NOK/litre..... | 1.10 | 1.12 | 1.8 |
|--|------|------|-----|

| | | | |
|--|------|------|-----|
| other domestic aviation, NOK/litre | 1.10 | 1.17 | 6.4 |
|--|------|------|-----|

| | | | |
|---|------|------|---|
| fishing and catching in inshore waters, NOK/litre | 0.29 | 0.29 | 0 |
|---|------|------|---|

Domestic use of gas

| | | | |
|--|------|------|-----|
| natural gas, NOK/Sm ³ | 0.90 | 0.91 | 1.1 |
|--|------|------|-----|

| | | | |
|-------------------|------|------|-----|
| LPG, NOK/kg | 1.35 | 1.37 | 1.5 |
|-------------------|------|------|-----|

| | | | |
|---|-------|-------|---|
| reduced rate for natural gas, NOK/Sm ³ | 0.057 | 0.057 | 0 |
|---|-------|-------|---|

Continental shelf

| | | | |
|------------------------------|------|------|-----|
| mineral oil, NOK/litre | 1.04 | 1.06 | 1.9 |
|------------------------------|------|------|-----|

| | | | |
|--|------|------|-----|
| natural gas, NOK/Sm ³ | 1.04 | 1.06 | 1.9 |
|--|------|------|-----|

| | | | |
|---|------|------|-----|
| natural gas emitted to air, NOK/Sm ³ | 7.16 | 7.30 | 2.0 |
|---|------|------|-----|

| | | | |
|-------------------------------------|-------|-------|------|
| <i>Sulphur tax, NOK/litre</i> | 0.136 | 0.131 | -3.7 |
|-------------------------------------|-------|-------|------|

| | | | |
|--|-------|-------|-----|
| <i>Tax on NO_x emissions, NOK/kg</i> | 21.59 | 21.94 | 1.6 |
|--|-------|-------|-----|

| | | | |
|--|-------|-------|-----|
| <i>Tax on trichloroethene (TRI) and tetrachloroethene (PER), NOK/kg</i> | 71.15 | 72.29 | 1.6 |
| <i>Tax on HFC and PFC, NOK/tonne of CO₂ equivalents</i> | 450 | 457 | 1.6 |
| <i>Tax on chocolate and sugar products, etc., NOK/kg</i> | 20.19 | 20.51 | 1.6 |
| <i>Tax on non-alcoholic beverages</i> | | | |
| Finished products, NOK/litre | 3.34 | 3.39 | 1.5 |
| Concentrate (syrup), NOK/litre | 20.32 | 20.65 | 1.6 |
| Squash based on fruits, berries or vegetables, without added sugar, NOK/litre | 1.67 | 1.70 | 1.8 |
| Concentrate (syrup based on fruits, berries or vegetables), without added sugar, NOK/litre | 10.16 | 10.32 | 1.6 |
| <i>Sugar tax, NOK/kg</i> | 7.81 | 7.93 | 1.5 |
| <i>Tax on beverage packaging, NOK/units</i> | | | |
| Base tax, disposable packaging | 1.17 | 1.19 | 1.7 |
| Environmental tax | | | |
| a) Glass and metals..... | 5.70 | 5.79 | 1.6 |
| b) Plastics | 3.44 | 3.50 | 1.7 |
| c) Cartons and cardboard..... | 1.41 | 1.43 | 1.4 |
| <i>Air passenger tax, NOK/passenger</i> | 82 | 83 | 1.2 |
| <i>Parimutuel betting tax,¹¹ pct. of gross turnover</i> | - | 3.7 | - |

| | | | |
|---|-----|-----|---|
| <i>Stamp duty</i> , pct. of sales price | 2.5 | 2.5 | - |
|---|-----|-----|---|

- ¹ Change in value added tax is specified in percentage points.
- ² Group a: Passenger cars, class 1 vans and buses shorter than 6 metres with up to 17 seats. Piston displacement is used as the tax component for vehicles whose CO₂ emissions are not specified.
- ³ Group b: Class 2 vans. The highest level of the CO₂ component does not apply to group b, the second-highest level is 25 pct. of the tax on passenger cars and the other levels are 30 pct. of the tax on passenger cars.
- ⁴ Group c: Camper vans. NO_x component applicable.
- ⁵ Group f: Motorbikes. Vehicles whose CO₂ emissions are not registered are taxed per unit and by engine power.
- ⁶ Group h: Taxis and vehicles for disabled persons. The two highest levels of the CO₂ component do not apply to group h.
- ⁷ Group j: Buses shorter than 6 metres with up to 17 seats, of which at least 10 are forward-facing. The highest level of the CO₂ component does not apply to group j. NO_x component applicable.
- ⁸ The rates under the traffic insurance tax apply from the date of establishment or renewal of the insurance and for one year from the said date. For insurance established or annually renewed before 1 March 2018, the 2017 rates shall apply. For insurance established or annually renewed after 1 March 2018, the 2018 rates shall apply.
- ⁹ Petrol with a sulphur content of 10 ppm or lower.
- ¹⁰ Diesel with a sulphur content of 10 ppm or lower.
- ¹¹ Sectoral tax proposed to be converted into an excise duty from 2018.

Source: Ministry of Finance.

1.7 Allocation of public sector tax revenues

Table 1.7 provides a general overview of the main groups of taxes and shows which part of the public sector receives the revenues from the different groups. In total, tax revenues are estimated at NOK 1,275 billion in 2017, of which about 84 percent accrue to central government, just over 13 percent to local government and about 3 percent to regional government.

Most of local and regional government tax revenues are in the form of income tax and net wealth tax on personal taxpayers. About 30 percent of central government tax revenues are in the form of value added tax, excise duties and customs duties. About 38 percent come from personal taxpayers, whilst about 20 percent come from non-personal taxpayers and employers' social security contributions in mainland Norway. About 8 percent of the central government revenues in 2017 are in the form of taxes from the petroleum sector. Other taxes, including the Financial Activity Tax, account for about 4 percent.

Table 1.7 Accrued taxes specified by tax creditors. Estimates for 2017. NOK billion

| | Total | Central government | Local government | Regional government |
|--|-------|--------------------|------------------|---------------------|
| <i>Personal taxpayers</i> | 488.0 | 303.2 | 153.0 | 31.8 |
| Tax on ordinary income | 286.6 | 113.5 | 141.4 | 31.8 |
| Bracket tax | 49.5 | 49.5 | - | - |
| Employee's social security contribution | 137.8 | 137.8 | - | - |
| Net wealth tax | 14.0 | 2.5 | 11.6 | - |
| <i>Corporations (whose taxes are payable in arrears)</i> | 71.0 | 69.4 | 1.3 | 0.2 |

| | | | | |
|---|----------------|----------------|--------------|-------------|
| Income tax (including power plants) | 70.7 | 69.1 | 1.3 | 0.2 |
| Net wealth tax | 0.3 | 0.3 | - | - |
| <i>Financial Activity Tax</i> | 2.3 | 2.3 | | |
| Tax on wages..... | 1.8 | 1.8 | | |
| Tax on profits..... | 0.5 | 0.5 | | |
| <i>Recurrent tax on immovable property</i> | 12.6 | - | 12.6 | - |
| <i>Employer's social security contributions</i> | 177.4 | 177.4 | - | - |
| <i>Indirect taxes</i> | 387.7 | 387.7 | - | - |
| Value added tax..... | 279.8 | 279.8 | - | - |
| Excise duties and customs duties..... | 107.9 | 107.9 | - | - |
| <i>Petroleum</i> | 96.5 | 96.5 | - | - |
| Tax on income..... | 89.6 | 89.6 | - | - |
| Tax on extraction, etc..... | 6.9 | 6.9 | - | - |
| <i>Other direct and indirect taxes</i> | 39.3 | 38.5 | 0.7 | - |
| Social security and pension premiums, other central government and social security accounts ¹ | 26.7 | 26.7 | - | - |
| Tax on dividends for foreign shareholders..... | 2.4 | 2.4 | - | - |
| Other direct and indirect taxes ² | 10.1 | 9.4 | 0.7 | - |
| Total direct and indirect taxes | 1,274.6 | 1,075.0 | 167.6 | 32.0 |
| Of which direct taxes | 886.9 | 687.3 | 167.6 | 32.0 |

¹ Including the Norwegian Public Service Pension Fund.

² Including certain revenue items classified as tax revenues in the national accounts, but not classified as tax revenues in the fiscal budget.

Source: Ministry of Finance.