

1 Main features of the tax programme for 2015

1.1 The tax policy of the Government

The main tax policy objective of the Government is to fund public goods and services in the most efficient manner. Tax policy forms a key part of structural policy and is one of the Government's five focal areas in promoting a more productive economy, cf. the English summary of The National Budget 2015.

Taxes should be structured such as to utilise resources in the best possible manner. This will be facilitated by a combination of broad tax bases, low tax rates and equal tax treatment across industries, businesses and investments. These guidelines have influenced the structure of the Norwegian tax system since the tax reform of 1992. The reform provided Norway with a better and more growth-oriented tax system. Returns on investments increased, and tax revenues were more in accordance with actual company earnings.

The tax system must continuously be adapted and improved in view of new developments in the Norwegian and international economy. 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 framework for businesses makes it attractive to invest in Norway. This is predicated on a moderate tax level, and businesses need good access to qualified labour, well-functioning infrastructure and an efficient public administration, thus making it easy to start new businesses and put good ideas into practice. The tax system also needs to be modified such as to make it less attractive to devote resources to international tax planning that undermines the Norwegian tax base.

The Government will make the tax system simpler and more conducive to growth. Working, saving and investing shall pay off, and the tax system shall stimulate more environmentally-friendly behaviour. The Government will reduce the overall tax level to diffuse power, expand economic activity and provide more freedom for families and individuals.

A tax policy in line with the Government's objective will have favourable dynamic impacts on the economy. Tax bases will expand, which expansion will over time fund part of the tax reductions. The Government proposed a number of tax reductions for 2014, which will entail positive dynamic effects, and proposes new measures for 2015. It is assumed that the reduction in the tax rate on ordinary income in 2014 represents a tax relief that is particularly conducive to economic growth. Dynamic effects of the tax proposal for 2015 are discussed in more detail in Section 1.3.

A number of pending official reports will provide important input for the Government's efforts to achieve a more growth-oriented tax system. The Scheel Committee, which is examining the corporate tax in view of international developments, was appointed by the previous Government. The Committee shall focus on proposals that contribute to efficient resource allocation and best possible investment choices made by businesses. The

mandate of the Committee has been modified to better reflect the present Government's commitment to reducing the tax level. As neighbouring countries have embarked on ambitious reductions in the corporate tax rate, it is more realistic to assume that Norway will need to respond with tax relief. The various parts of the Norwegian tax system are closely integrated. The Committee will therefore examine any changes to corporate taxation in the context of the tax system in general.

Moreover, the Government has announced a review of agricultural taxation with a view to simplifying rules and bringing about more efficient use of resources.

The Government has appointed a new Green Tax Commission to propose green tax changes that can shift taxation towards environmentally-harmful activities. The Government intends to present, in connection with the Revised National Budget for 2015, an overall review of motor vehicle taxes. The intention is to stimulate the use of new technology, promote safer cars and more environmentally-friendly choices.

1.2 Main features of the tax programme for 2015

The Government proposed, in the supplementary proposition for 2014, comprehensive and growth-oriented tax reductions, which were endorsed by the Storting. Taxes were reduced by a total of NOK 7.3 billion accrued.

The most important tax changes in the 2014 Budget were as follows:

- The tax rate on ordinary income was reduced from 28 to 27 pct. Lower tax on ordinary income for individuals and enterprises makes the economy more conducive to growth because labour supply, savings and investments are stimulated.
- The net wealth tax was reduced. Lower tax on wealth adds to the return on overall savings and stimulates additional savings.
- The inheritance tax was abolished. This eases the liquidity strain of generational change in family businesses, and represents a major simplification.
- There was a clear shift towards green taxes. In aggregate, energy and carbon taxes increased by about NOK 1.75 billion accrued from 2013 to 2014.

The Government continues to reduce the tax level and improve the tax system. The 2015 budget proposes new tax reductions in the aggregate amount of about NOK 8.3 billion accrued and NOK 6.9 billion booked, cf. Table 1.1. Lower net wealth tax accounts for about half of the reductions. Moreover, the taxation of income are reduced for broad groups, and a number of indirect taxes are lowered. The main features of the tax proposals are presented below.

Income tax and net wealth tax for individuals

The Government is of the view that reductions in the net wealth tax are called for. The current net wealth tax has unfortunate implications. Savings are less profitable for those who pay net wealth tax. The Government proposes that the rate of net wealth tax be reduced from 1 percent to 0.75 percent and that the basic allowance be increased from

NOK 1 to 1.2 million (NOK 2.4 million for married couples) from 2015. The Government will, at the same time, reduce the valuation discount for commercial property and second dwellings in excess of the initial second dwelling from 40 to 20 percent of market value. This will reduce the preferential tax treatment of such property as compared to listed shares and bank deposits. A more equal tax treatment may contribute to savings being invested, to a higher extent, where their returns for society are the highest. The valuation of dwelling number two (the initial second dwelling) acquired by individuals will not increase under the Government's proposal. The valuation of primary residences and recreational properties also remain unchanged. The Government's proposal implies that only 12 pct. of the population will pay net wealth tax.

The Government proposes tax reductions for broad population groups. The upper limit of the basic allowance for wage income and social security benefits will be increased by about NOK 1,000 on top of expected wage increases, and the rate of the basic allowance for pension income will be increased from 27 to 29 pct. The proposed increase in the basic allowance will provide tax relief for many wage earners, social security benefit recipients and pensioners with low income.

The Government proposes changes to employee's social security contributions and to the surtax that will also reduce tax for large population groups, whilst at the same time making it more profitable to work. Employee's social security contributions on wage income/social security benefits and on income from self-employment will be reduced by 0.1 percentage point to 8.1 pct. and 11.3 pct., respectively. The surtax threshold in bracket 1 will be increased by NOK 7,500 on top of expected wage increases. Moreover, the Government proposes that the phase-out of tax class 2 for married couples be completed in 2015. The proposal will strengthen work incentives, integration and equal opportunities, and result in more equal treatment of married couples and cohabitants.

New disability benefits will be introduced from 2015. The new disability benefit will be taxed as wage income. This will make it easier and more straightforward to combine work and disability benefits. At present, the tax paid by disability benefit recipients who are more than 2/3 disabled is limited under the tax limitation rule. The rule has a number of unfortunate implications, including, inter alia, a higher marginal tax rate on wage income for individuals taxed under this rule than for other individuals at equivalent income levels. A high marginal tax rate makes work less profitable. The rule also increases the tax value of interest expense deductions. The tax limitation rule for disability benefit recipients will be abolished when the new disability benefit is taxed as wage income from 2015. This is a desirable and necessary aspect of the reform. The transition to ordinary tax rules may result in a reduction in the net income of disability benefit recipients who have large debt interest expenses. The Government proposes, in order to prevent such transition from being too sudden, the introduction of a transitional arrangement for borrowers exposed to a reduction in their net income above a certain amount. It is proposed that the transitional arrangement be structured as an individual tax allowance to be phased out over three years.

Business taxation

The Government proposes a number of simplifications to the tax rules governing entities taxed as partnerships, including, inter alia, to the rules on the place of taxation, on investment measurement and on spouses as partners in such entities. The Government also proposes that limited partners shall no longer be able to deduct partnership losses against ordinary income from other sources, i.e. the abolition of the current coordination arrangement. Such losses shall instead be carried forward for deduction against future partnership income or gain upon the realisation of partnership interests.

The Skattefunn research and development (R&D) tax incentive scheme is intended to trigger economically profitable R&D on the part of enterprises. The Government proposes increasing the cap on the deductibility of internal R&D from NOK 8 to 15 million and the corresponding cap on outsourced R&D from NOK 22 to 33 million. The overall cap on internal and outsourced R&D will be NOK 33 million under this proposal. Higher caps may result in an increase in the number of large projects being implemented, as well as in some R&D projects being implemented more swiftly than otherwise planned.

31 pct. tax is levied on the economic rent of hydropower plants under the current rules. Power plants whose generators have a capacity of less than 5.5 MVA are exempted from economic rent tax. This limit is often referred to as the minimum threshold for the economic rent tax. The Government proposes an increase in the minimum threshold to 10 MVA in line with the Sundvolden Declaration. However, increasing the minimum threshold raises certain issues under EEA law, and the Government will therefore notify this measure to the EFTA Surveillance Authority (ESA). The higher threshold can enter into effect upon a positive ruling from the ESA.

Indirect taxes

The Government proposes a number of changes to simplify the value added tax and make it more neutral. These changes will promote more efficient use of resources, which is in line with the Government platform. The standard threshold for registration in the Value Added Tax System will be increased from NOK 50,000 to 150,000 in taxable sales. This reduces the administrative burdens of the tax. It will also increase revenues.

All value added tax on passenger cars used for financial leasing or other leasing activities is deductible if such cars are leased for a minimum of 3 years. These rules represent a favourable tax treatment of leasing vehicles. The Government therefore proposes that the value added tax depreciation period be increased from 3 to 4 years. It is proposed, at the same time, that depreciation be considerably higher in the initial year than in the three subsequent years. This change increases the taxation of long-term vehicle leasing, whilst reduced the taxation of short-term leasing.

The Government proposes an arrangement to neutralise value added tax for central government. This will make it easier for private service providers to compete for central government contracts and can lead to a more efficient use of resources. It also proposes the abolition of the value added tax exemption for management services provided from housing associations to affiliated housing cooperatives. This enables private providers of management services to compete on equal terms with housing associations.

The Government proposes an increase in the tax collection threshold for low value imports from NOK 200 to 500 kroner. Freight and insurance costs will, at the same time, be included in calculation of the threshold. The threshold for simplified customs clearance for private goods imports will be increased from NOK 1,000 to 3,000.

The Government proposes significant motor vehicle tax reliefs, including, inter alia, an average reduction of 35 pct. in the re-registration tax. In order to reduce the costs of road transportation the annual weight-based tax for heavy vehicles will be more than halved. It is proposed that road use taxes on fuel remain unchanged in nominal terms. Furthermore, it is proposed that the rates of motor vehicle registration tax for motorbikes and snowmobiles will be reduced by 30 pct. To facilitate the forthcoming transition from the current annual motor vehicle tax to a traffic insurance tax, the annual tax for caravans is abolished. It is not required to take out a traffic insurance on caravans.

Other proposed tax changes

- The lower threshold for the payment of employee's social security contribution will be increased to NOK 49,650 kroner. In practise, personal income up to NOK 50,000 will thus be exempt from employee's social security contribution.
- The Enova energy efficiency support scheme for private households will be restructured and expanded. It is intended for the scheme to subsequently be converted into an allowance scheme under the tax system, with Enova as the approving body.
- The special allowance for high expenses due to illness will remain as per the 2014 rules.
- The personal allowance and the special allowance in Finnmark and North Troms will be adjusted in line with wage increases.
- The tax credit for recipients of early retirement pension and other retirement pension will continue to be scaled down in respect of disability benefits.
- The rule on tax limitation for individuals on low ordinary incomes will be abolished for those receiving supplementary benefits for persons who have lived in Norway for a short period of time.
- The allowance per kilometre of work-related travel using a private vehicle will be increased to NOK 4.10 for travel up to 10,000 km and remain unchanged in nominal terms, at NOK 3.45, for travel in excess of 10,000 km.
- The mark-up in the benchmark rate for the purpose of calculating tax on the employee benefit from subsidised loans will be increased by 0.25 percentage point.
- Certain limits, etc., will remain nominally unchanged from 2014 to 2015. This applies, for example, to the special wage income allowance, the parental allowance for documented childminding and childcare expenses, the seamen's allowance, the

- agricultural allowance, the lower threshold and kilometre rates applicable to the allowance for travel between home and work, and the maximum savings under the home investment savings scheme for people below the age of 34 years (BSU).
- The threshold amount in the regionally differentiated employers' social security contribution will be increased to NOK 500,000. The threshold will be increased to NOK 250,000 for cargo transport by road.
 - Income from the sales outlets of hospital pharmacies will become taxable.
 - The rate of product tax on sales of landed fish will be reduced to 3.1 pct.
 - One will seek to introduce an arrangement for the refund of registration tax on motor vehicle upon the export of vehicles.
 - The tax exemption for waste oil will be abolished. The payment upon the delivery of waste oil at an approved facility is increased, in order to ensure continued appropriate disposal of waste oil. The increase in payment will be funded by increasing the tax on lubricating oil.
 - The tax on the depositing of waste will be abolished.
 - Customs duties on agricultural goods at a rate of less than NOK 1 per kg will be zero-rated.
 - Fees for the Civil Aviation Authority Norway will be reduced by a total of NOK 16 million.
 - Port pilotage fees will be reduced by a total of NOK 36.9 million.

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 relief may thereby be self-financing to some extent. Such an expansion of the tax bases may filter through over many years. The associated increase in revenues can therefore not be fully included in the 2015 Budget, but the budgetary room for manoeuvre will increase as and when the level of tax revenues increases.

A sound budgeting practice implies that dynamic effects of the proposed changes in direct taxes are not included in the 2015 Budget. In contrast, estimated revenues from most of the changes to indirect taxes take into consideration that the tax bases change when the tax rates change. It is assumed, for example, that sales of used cars will increase when the re-registration tax is reduced. Such demand changes are expected to happen fairly swiftly.

Tax relief that is structured in an efficient manner will improve long-term resource allocation by strengthening the work, savings, investment, etc., incentives of taxpayers. Some taxes improve resource allocation, including, inter alia, taxes to correct for damage caused to health and the environment. Other taxes, such as the resource rent tax, are neutral. However, most taxes result in individuals and enterprises changing their decisions in such a way as to utilise the resources of society less efficiently than would have been the case in the absence of tax. A tax on work 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. The negative effects can be minimised for a given tax level by relying more heavily on taxes that have little impact on the decisions of individuals and enterprises, and by having low tax rates on broad bases rather than high tax rates on narrow bases. High tax rates provide strong incentives to change behaviour and make it profitable to evade or avoid such tax. This inhibits economic growth.

Consequently, tax reductions may serve to improve resource allocation and to stimulate economic growth. Some forms of tax relief will have a more positive impact than others. There is some empirical evidence to such effect. Economic research suggests, for example, that lower tax rates on business profits and labour, in particular, may entail significant positive effects. It is therefore recommended by, inter alia, the OECD to shift part of the tax burden away from capital and labour.

A number of the tax reductions proposed by the Government for 2015 are in line with economically well-founded recommendations as to which tax reductions will improve resource allocation and stimulate economic growth. Reduced employee's social security contributions on wage income and income from self-employment and an increased surtax threshold will reduce the tax rate for large parts of the working population, thus providing a work incentive. Consequently, these changes will involve a self-financing element in the longer run. The degree of self-financing is highly uncertain, but estimates prepared using the Statistics Norway simulation model LOTTE-Arbeid indicate that reducing employee's social security contributions and increasing the surtax threshold may involve a 5-10 pct. self-financing element.

The proposed reduction in the net wealth tax is also assumed to entail a positive dynamic effect. Under assumptions of free movement of capital and perfect capital markets a tax on net wealth will have an impact on the overall level of savings, but not on the overall level of investments. Since capital markets in Norway are, by and large, well-functioning, it is likely that the net wealth tax primarily has an impact on savings. Most empirical studies suggest that the effect of lower tax rates on savings is positive. Lower tax on net wealth may also facilitate funding of projects in cases where regular capital markets are not sufficient. In their report on the Norwegian economy, the OECD points out the possible negative impact of the net wealth tax on entrepreneurship. Furthermore, the assessment rules may have an impact on the allocation of investments. Heterogeneous valuation of different assets under the present net wealth tax system provides an incentive for overinvestment in housing and other immovable property. This reduces the return on savings in Norway.

The Government's proposal for a reduction in the rate of net wealth tax, an increase in the basic allowance and an increase in the taxable values of commercial property and certain second dwellings is assumed, against this background, to have a positive long-term effect on the economy. The Ministry is not, however, in a position to quantify such effects.

Improved work incentives in the tax system will also have an impact on long-term distribution effects. Increased labour supply is beneficial for society, but also for individuals, especially to the extent that it helps them to escape low-income traps. Many people on low incomes are only marginally involved in the labour market. Individuals who receive social security benefits to compensate for loss of wage income as the result of, for example, health problems or unemployment, may feel that there is little to gain from getting a job. It is therefore important to examine social security rules and tax rules as a whole. The Government's proposals for a lower marginal tax rate on work and the abolition of tax class 2 will improve work incentives. All in all, these will strengthen the work incentives of both individuals who already hold a job and individuals with a lesser involvement in the labour market.

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 programme are calculated relative to the benchmark system for 2015. The benchmark system for 2015 is based on the 2014 rules, largely adjusted for estimated price, wage and wealth growth. Allowances and limits, etc., in the general rate structure for personal taxation have largely been adjusted to the 2015 level using estimated wage growth of 3.3 pct. Special allowances and other limits in personal taxation have largely been adjusted in the benchmark system using an estimated inflation rate from 2014 to 2015 of 2.1 pct. This means that a taxpayer who only qualifies for standard reliefs and whose ordinary income and personal income both increase by 3.3 per cent will have approximately the same average income tax level in the benchmark system for 2015 as in 2014. New disability benefits will be introduced from 2015 and are taxed as wages in the benchmark system. In the benchmark system for indirect taxes, all unit taxes have been adjusted by the estimated rate of inflation from 2014 to 2015. In real terms, the benchmark system thus entails no change in tax levels from 2014 to 2015.

Table 1.1 Estimated revenue effects of the tax programme for 2015. Negative figures represent tax reductions. The estimates have been calculated relative to the benchmark system for 2015. NOK million

	Accrued	Booked
Net wealth tax	-4,130	-3,210
Reduce the rate of net wealth tax to 0.75 pct. Increase the taxable values of commercial property and second dwellings in excess of the initial second dwelling to 80 pct. of the market value. Increase the basic allowance to NOK 1.2 million.....	-4,130	-3,210
Income tax	-2,983	-2,380
Reduce employee's social security contributions on wage income/social security benefits to 8.1 pct.....	-1,360	-1,090
Increase the threshold in surtax bracket 1 by NOK 7,500.....	-630	-500
Increase the upper limit of the basic allowance for wage income/social security benefits by NOK 1,000.....	-725	-580
Increase the rate of the basic allowance for pension income to 29 pct.....	-280	-220

Scale down the tax credit for pension income in respect of disability benefits ¹	30	25
Abolish tax class 2 for married couples.....	310	250
Abolish the tax limitation rule for those receiving supplementary benefits	0	0
Introduce a transitional arrangement for disability benefit recipients	-335	-270

Increase the lower threshold for the payment of employee's social security contribution to NOK 49,650.....	-150	-120
Increase the mark-up in the benchmark rate for the taxation of subsidised employee loans by 0.25 percentage points.....	10	8
Adjust the personal allowance in line with wage increases ²	-60	-50
Adjust the special allowance in Finnmark and North Troms in line with wage increases ²	-3	-3
Maintain other rates, limits and allowances unchanged in nominal terms, etc.....	210	170
Business taxation	50	-105
Reduce employee's social security contributions on income from self-employment to 11.3 pct. ³	-80	-80
Simplify the rules governing entities taxed as partnerships.....	300	0
Increase the minimum threshold for the economic rent tax on power plants to 10 MVA.....	-20	0
Strengthen the Skattefunn R&D tax incentive scheme.....	-120	0
Increase the threshold for differentiated employers' social security contributions...	-30	-25
Make public hospital pharmacies liable to tax.....	0	0
Value added tax	195	155
Increase the registration threshold to NOK 150,000.....	125	100
Amend the rules governing financial and other leasing of motor vehicles.....	200	165
Abolish the exemption on management services for housing cooperatives.....	50	40
Increase the tax collection threshold for low value imports to NOK 500.....	-180	-150
Motor vehicle taxes	-1,350	-1,319
Reduce the motor vehicle registration tax for motorbikes and snowmobiles by 30 pct.....	-100	-90
Introduce a refund of motor vehicle registration tax upon the export of vehicles....	-10	-9
Abolish the annual motor vehicle tax on caravans.....	-70	-70
Reduce the annual weight-based tax on heavy vehicles.....	-200	-200
Reduce the re-registration tax by 35 pct.....	-660	-660
Refrain from adjusting road use taxes on fuel for inflation.....	-310	-290
Other excise and customs duties	20	17
Abolish the exemption for waste oil, increase the payment upon proper disposal of waste oil and increase the tax on lubricating oil ⁴	70	62
Abolish the tax on the depositing of waste.....	-35	-30
Abolish customs duties of little importance to Norwegian agriculture.....	-15	-15
Sectoral taxes and overpriced fees	-53	-53
Reduce fees for the Civil Aviation Authority Norway.....	-16	-16
Reduce port pilotage fees.....	-37	-37
Aggregate new tax changes in 2015	-8,251	-6,895
Effect of decisions relating to the National Budget for 2014.....	84	-3,037
Effect of decisions relating to the Revised National Budget for 2014.....	-167	-193
Effect of changes to differentiated employers' social security contributions.....	132	154
Aggregate effect in 2015 of decisions in the 2014 Budget	49	-3,076

Aggregate tax changes -8,202 -9,971

¹ The tax credit for pensioners is in 2014 scaled down in respect of overall pension income, including the current disability benefit. The new disability benefit will be taxed as wage income from 2015, and will thus be omitted from the total pension income entry in the benchmark system for 2015. The Government proposes that the tax credit for pension income continues to be scaled down in respect of disability benefits. This will have no discernible impact on current disability benefit recipients since it represents a continuation of the rules for 2014. However, the proposal implies a revenue increase compared to the rules under the benchmark system.

² Adjustment in line with expected wage increases amounts to overcompensation when compared to the benchmark system.

³ This also includes employee's social security contributions on fishing, hunting and childminding, which are reduced to 8.1 pct.

⁴ The revenue estimate reflects increased subsidies on the expenditure side of the budget in the amount of NOK 30 million.

Source: Ministry of Finance.

Table 1.2 presents estimated booked tax revenues for 2015, as well as estimates for 2014 and accounting figures for 2013, specified by chapter and item.

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

Chapter	Item	Description	Accounts 2013	Budget estimate 2014		Proposal 2015
				Balanced budget	Estimate NB 2015	
5501		Taxes on wealth and income				
	70	Surtax, etc.	33,261	34,600	35,100	33,500
	72	Central government tax.....	208,848	212,941	211,800	225,700
		Tax on the accumulated liabilities of				
	73	shipowners	1,254	-	-	-
5506	70	Tax on inheritance and gifts.....	2,246	1,750	1,750	0
5507		Taxes on petroleum extraction				
	71	Ordinary tax on wealth and income	76,118	67,800	65,100	64,700
	72	Special tax on oil income	125,386	111,900	105,100	100,500
	74	Area fee, etc.	1,700	1,900	1,800	1,800
		Tax on the emission of CO ₂ in petroleum				
5508	70	activities on the continental shelf	3,293	4,900	6,300	6,600
		Tax on the emission of NO _x in petroleum				
5509	70	activities on the continental shelf	-61	10	-	-
5511		Customs revenues				
	70	Customs duties	2,882	2,900	3,000	3,000
	71	Auction revenue from customs quotas.....	229	195	205	200
5521	70	Value added tax	233,874	250,953	244,200	256,200
5526	70	Tax on alcoholic beverages	12,239	12,540	12,470	12,600
5531	70	Tax on tobacco products, etc.....	7,080	7,000	7,200	7,200
5536		Tax on motor vehicles, etc.				
	71	Motor vehicle registration tax	20,184	21,160	19,000	18,900
	72	Annual motor vehicle tax.....	9,695	10,090	10,030	10,300
	73	Annual weight-based tax.....	328	372	365	180
	75	Re-registration tax	2,103	1,850	1,900	1,320
5537	71	Marine engine tax	169	166	115	0
5538		Road usage tax on engine fuel				
	70	Road usage tax on petrol.....	6,271	6,100	5,950	5,700

	71	Road usage tax on auto diesel	10,156	11,130	10,550	11,300
5541	70	Electricity consumption tax.....	7,961	7,945	7,750	8,400
5542		Tax on mineral oil, etc.				
	70	Base tax on mineral oil, etc.....	1,335	2,000	1,850	1,900
	71	Tax on lubricating oil, etc.....	108	123	92	125
5543		Environmental tax on mineral products, etc.				
	70	CO ₂ tax.....	4,733	5,400	5,380	5,650
	71	Sulphur tax	35	34	34	48
5546	70	Tax on the final disposal of waste	49	47	35	5
		Tax on chemicals that are harmful to health and the environment				
5547						
	70	Trichloroethene (TRI).....	1	1	1	1
	71	Tetrachloroethene (PER).....	1	1	1	1
	70	Tax on hydrofluorocarbons (HFC) and perfluorocarbons (PFC).....				
5548			282	415	368	400
5549	70	Tax on the emission of NO _x	55	105	34	36
5550	70	Environmental tax on pesticides.....	64	50	50	50
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 prospection and excavation rights for minerals pursuant to the Minerals Act..	18	10	4	4
5555	70	Tax on chocolate and sugar products, etc.....	1,265	1,250	1,380	1,425
5556	70	Tax on non-alcoholic beverages, etc.....	1,911	2,050	1,780	1,830
5557	70	Tax on sugar, etc.	201	197	197	210
5559		Tax on beverage packaging				
	70	Base tax on disposable packaging	1,222	1,350	1,320	1,500
	71	Environmental tax on cartons.....	67	71	56	60
	72	Environmental tax on plastics	5	25	30	30
	73	Environmental tax on metals.....	-45	55	7	5
	74	Environmental tax on glass	75	81	77	80
5565	70	Stamp duty	7,310	7,800	7,400	7,700
		Sectoral taxes ¹	1,911	2,139	2,142	2,223
5583	70	Taxes on frequencies, etc.	236	297	279	307
5700		National Insurance Scheme revenues				
	71	Employee's social security contribution	111,686	122,300	121,100	130,600
	72	Employers' social security contribution.....	157,743	165,500	164,000	171,100

Total taxes and National Insurance Scheme revenues;
fiscal budget..... 1,055,482 1,079,505 1,057,303 1,093,391

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

Source: Ministry of Finance.

Table 1.3 presents booked revenue effects of new proposals for rule changes in 2015, specified by chapter and item. The sum total of changes specified by chapter and item deviates somewhat from the sum total of booked revenue effects of new tax changes in Table 1.1. This is because Table 1.1 deducts increased refunds on the disposal of waste oil in the amount of NOK 30 million. The refund scheme is posted on the expense side of the budget.

Table 1.3 Estimated booked revenue effects of the tax programme for 2015, specified by chapter and item. Calculated by reference to the benchmark system for 2015. NOK million

Chapter	Item	Description	Change
5501		Taxes on wealth and income ¹	
	70	Surtax, etc.....	-3,688
	72	Central government tax	-636
	73	Tax on the accumulated liabilities of shipowners	0
5507		Taxes on petroleum extraction	
	71	Ordinary tax on wealth and income	0
	72	Special tax on oil income	0
	74	Area fee, etc.....	0
		Tax on the emission of CO ₂ in petroleum activities on the continental shelf.....	0
5508	70	Tax on the emission of NO _x in petroleum activities on the continental shelf.....	0
5509	70	Customs revenues	
5511	70	Customs duties.....	-15
	71	Auction revenue from customs quotas	0
5521	70	Value added tax	155
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.....	-99
	72	Annual motor vehicle tax	-70
	73	Annual weight-based tax	-200
	75	Re-registration tax.....	-660
5538		Road usage tax on engine fuel	
	70	Road usage tax on petrol	-90
	71	Road usage tax on auto diesel.....	-200
5541	70	Electricity consumption tax	0
5542		Tax on mineral oil, etc.	
	70	Base tax on mineral oil, etc.	53
	71	Tax on lubricating oil, etc.	27
5543		Environmental tax on mineral products, etc.	
	70	CO ₂ tax	0
	71	Sulphur tax	12
5546	70	Tax on the final disposal of waste.....	-30
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 pesticides.....	0
5551		Tax relating to the minerals industry	
	70	Tax relating to subsea natural resources other than petroleum.....	0
		Tax relating to prospection and excavation rights for 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	0
	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
5565	70	Stamp duty.....	0
		Fees ²	-16
		Sectoral taxes ²	-37
5583	70	Tax on frequencies, etc.....	0
5700		National Insurance Scheme revenues	
	71	Employee's social security contribution.....	-1,352
	72	Employers' social security contribution.....	-19
Total changes in taxes and National Insurance Scheme revenues; fiscal budget.....			-6,865

¹The effects apply to central government and local government.

²Reference is made to Table 1.1 for a specification of which sectoral taxes and fees are being changed.

Source: Ministry of Finance.

1.5 Profile of the tax programme

The Government is ensuring that broad population groups will benefit from the tax reductions. The calculations as to the effects of the tax programme on various groups compare the tax implied by the Government's proposal with the tax implied by the benchmark system for 2015. The calculations encompass all tax changes that are possible to include in the tax model LOTTE-Skatt, including changes to rates and thresholds in the taxation of the income of individuals and changes to the net wealth tax. The calculations comprise net tax relief in the approximate amount of NOK 6.8 billion accrued. Abolition of the tax limitation rule for those receiving supplementary benefits, the transitional arrangement for disability benefit recipients, downscaling of the tax credit for pensioners in respect of disability benefits, increased taxable value of second dwellings and increased mark-up in the benchmark rate for the taxation of subsidised employee loans are not included. Nor are changes in corporate taxation or changes in indirect taxes included.

These calculations suggest that all income groups will on average enjoy tax reductions, cf. table 1.4. About half of the tax reductions will accrue to individuals with a gross income of between NOK 350,000 kroner and NOK 1 million. This group encompasses most ordinary wage earners.

Figure 1.1 shows the tax reduction as a portion of gross income for various income deciles as far as taxes on individuals are concerned. Decile 1 represents the 10 pct. of individuals aged 17 years or more on the lowest incomes; Decile 10 represents the 10 pct. on the highest incomes. The figure distinguishes between income tax reductions and net wealth tax reductions.

The 10 pct. on the lowest incomes will enjoy the largest tax reductions when measured as a portion of gross incomes. The lowest decile includes quite a few pensioners. The increase in the basic allowance for pension income is of particular importance to this group. Since pensioners generally have relatively high wealth, even at lower income levels, the net wealth tax reduction is also relatively large as a portion of gross income. The tax reductions for the 10 pct. on the highest incomes are primarily caused by the net wealth tax reductions.

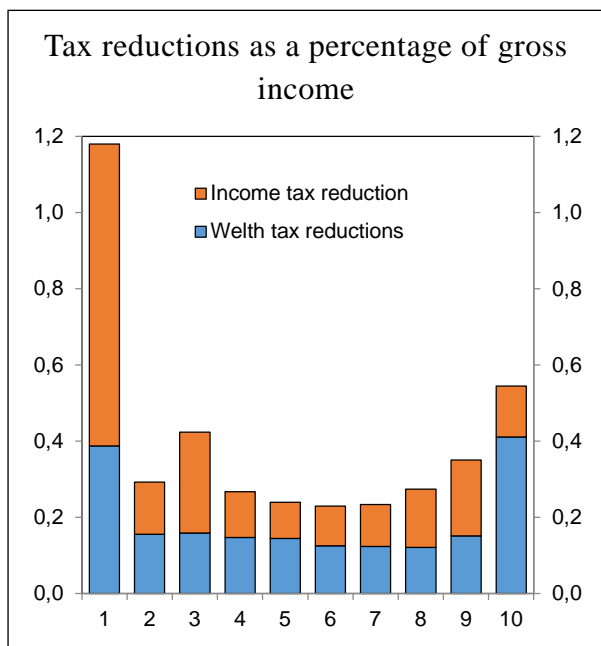


Figure 1.1 Tax reductions under the Government’s proposal as a percentage of gross income, specified by income groups (deciles) as defined by gross income. Compared to the benchmark system for 2015 (2014 rules extrapolated into 2015). Percent

Sources: Ministry of Finance and Statistics Norway.

Table 1.4 shows how the changes to the taxation of personal income and net wealth influence average tax in various gross income intervals. On average, tax is reduced by about NOK 1,600, which corresponds to 0.4 pct. of gross income. The net wealth tax reduction represents about NOK 1,000 on average. The tax reduction is relatively small at low income levels when measured in Norwegian kroner. This has to do with these groups already paying very little tax. The average tax reduction is about NOK 800 - 1,000 from a gross income level of about NOK 200,000, and it increases with income. The average tax reduction for the group on gross incomes above NOK 2 million is about NOK 38,400. The reduction represents about 1.1 pct. of average gross income for this group. Just over NOK 36,000 is caused by lower tax on net wealth. The tax of this group was reduced by about NOK 39,000 in 2014. Calculations show, in comparison, that the taxes of individuals on gross incomes above NOK 2 million increased by NOK 270,000 from 2005 to 2013.

Table 1.4 Average tax changes for *all individuals* aged 17 years or more. The proposal compared to the benchmark system for 2015 (2014 rules extrapolated into 2015). Negative figures represent tax reductions. NOK

Gross income	Number of individuals	Average tax in 2014 (pct.)	Average tax change per person	Average change as a percentage of gross income	Of which: average net wealth tax change
NOK 0 - 150,000.....	551,100	5.6	-500	-0.7	-200
NOK 150,000 - 200,000.....	256,900	7.1	-500	-0.3	-300
NOK 200,000 - 250,000.....	334,700	11.5	-1,000	-0.4	-400
NOK 250,000 - 300,000.....	357,100	16.2	-900	-0.3	-400
NOK 300,000 - 350,000.....	369,000	18.9	-800	-0.2	-500
NOK 350,000 - 400,000.....	356,400	21.0	-900	-0.2	-500
NOK 400,000 - 450,000.....	350,900	22.5	-1,000	-0.2	-500
NOK 450,000 - 500,000.....	321,700	23.6	-1,100	-0.2	-600
NOK 500,000 - 600,000.....	487,000	24.9	-1,500	-0.3	-700
NOK 600,000 - 750,000.....	370,100	27.6	-2,300	-0.4	-1,000
NOK 750,000 - 1 million.....	245,300	30.8	-3,100	-0.4	-1,700
NOK 1 million - 2 million	171,000	35.1	-5,900	-0.5	-4,200
NOK 2 million and over	28,300	37.9	-38,400	-1.1	-36,100
Total	4,199,500	25.1	-1,600	-0.4	-1,000

Sources: Ministry of Finance and Statistics Norway.

The self-employed will benefit considerably from the tax changes. Total tax relief for individuals whose principal income derives from self-employment will amount to about NOK 425 million. This represents an average tax reduction of NOK 3,600, of which NOK 2,900 can be attributed to the net wealth tax.

Business owners who are not self-employed will also benefit from significant wealth tax reductions. Some commercial property owners may nonetheless pay more net wealth tax when the taxable value of such properties is increased. This may apply to owners of highly leveraged properties because the tax value of the debt will be reduced when the rate of net wealth tax is reduced. It is, at the same time, important to increase the taxable values of commercial property because it contributes to more equal tax treatment of different types of investments. Lower wealth tax on other assets will at least partly offset any increase in the wealth tax on commercial property.

The simplification of the tax rules governing entities taxed as partnerships, as well as certain changes to indirect taxes, will in isolation add to the tax burden of the business sector. However, certain proposed reductions in motor vehicle taxes, including, inter alia, lower re-registration tax and lower annual weight-based tax for heavy vehicles, will

reduce costs in the business sector. The introduction of an arrangement to neutralize the value added tax in central government makes it easier for private service providers to compete for central government contracts. A higher threshold for registration in the Value Added Tax System implies that fewer small businesses need to bear the administrative burdens from value added tax registration.

Wage earners (those with wages as their principal source of income) will also obtain significant tax relief under the proposed tax programme for 2015. Those proposed changes that are calculated in LOTTE-Skatt result in total tax reductions in the approximate amount of about NOK 4.1 billion for this group. This corresponds to an average tax reduction of NOK 1,800 per wage earner, of which NOK 900 takes the form of net wealth tax reduction.

Those on retirement pension will on average obtain larger tax reductions than wage earners. Pensioners as a group will obtain tax relief in the total amount of about NOK 1.8 billion. This corresponds to an average tax reduction of about NOK 2,100, of which NOK 1,700 in the form of net wealth tax reduction. Net wealth tax reductions are of particular importance for this group since many of those on retirement pension have repaid their housing loans and hold net wealth in the form of bank deposits and securities. 32 pct. of pensioners pay net wealth tax under the current rules, whilst only 14 pct. of all taxpayers do so. Table 1.5 shows the average tax for recipients of early retirement pension and other retirement pension under the proposal, as well as reductions in overall tax and net wealth tax.

Table 1.5 Average tax changes for *those on retirement pension* (persons qualifying for tax credit for pension income). The proposal compared to the benchmark system for 2015 (2014 rules extrapolated into 2015). Negative figures represent tax reductions. NOK

Gross income	Number of individuals	Average tax in 2014	Average tax change per person	Of which: average net wealth tax change
NOK 0 - 150,000	37,600	0.6	-200	-200
NOK 150,000 - 200,000.....	119,200	1.3	-700	-400
NOK 200,000 - 250,000.....	142,600	6.5	-1,500	-600
NOK 250,000 - 300,000.....	125,900	12.7	-1,300	-800
NOK 300,000 - 350,000.....	113,300	16.5	-1,000	-1,000
NOK 350,000 - 400,000.....	83,400	19.2	-1,400	-1,400
NOK 400,000 - 450,000.....	57,900	21.3	-1,800	-1,800
NOK 450,000 - 500,000.....	41,600	23.0	-2,400	-2,400
NOK 500,000 - 600,000.....	48,200	24.7	-3,300	-2,900
NOK 600,000 - 750,000.....	38,400	27.1	-4,300	-3,400
NOK 750,000 - 1 million.....	27,400	30.0	-5,500	-4,500
NOK 1 million - 2 million.....	19,200	34.5	-10,900	-9,700

NOK 2 million and over	3,400	36.2	-64,200	-63,000
Total	858,000	19.6	-2,100	-1,700

Sources: Ministry of Finance and Statistics Norway.

The above calculations show the average impact of the tax changes on different income groups. The calculations at the level of individuals show that 98 pct. of taxpayers will obtain tax relief or experience more or less unchanged tax, whilst about 2 pct. of taxpayers will pay more tax. Those on the highest average incomes will enjoy the largest tax reductions. However, the average income of those who get tax increases above NOK 2,000 is also high. The abolition of tax class 2 and increased commercial property valuations for net wealth tax purposes, in particular, may result, when taken in isolation, in a tax increase of some significance. This needs to be considered from the perspective that the group encompassed by tax class 2 will end up with the same tax burden as singles or cohabitants on corresponding incomes. The tax increase for those previously qualifying for tax class 2 will be partly offset by other proposed tax reliefs.

The Gini coefficient is a frequently used measure of the income inequalities in society. Norway is amongst the countries in Europe with the most equal income distribution as measured by the Gini coefficient. The proposed tax programme will leave the Gini coefficient more or less unchanged from 2014 to 2015. This reflects the fact that redistribution through the tax system will change little under the Government's tax proposal.

1.6 Tax rates and thresholds

Table 1.6 shows tax rates, allowances and thresholds in 2014 and the Government's proposals for 2015. The general allowances and thresholds are rounded after adjustment for estimated growth in wages, pensions or prices from 2014 to 2015. The increases may therefore deviate somewhat from the level of the various growth estimates. Wage growth is estimated at 3.3 pct., price growth at 2.1 pct. and growth in the ordinary retirement pension at 2.5 pct. Reference is also made to the proposed tax decision in this report.

Table 1.6 Tax rates, allowances and thresholds in 2014 and proposals for 2015

	2014 rules	2015 rules	Change 2014-2015
<i>Tax on ordinary income</i>			
Individuals ¹	27 pct.	27 pct.	-
Enterprises ²	27 pct.	27 pct.	-
<i>Surtax</i>			
Bracket 1			
Threshold.....	NOK 527,400	NOK 552,300	4.7 pct.
Rate ³	9.0 pct.	9.0 pct.	-

Bracket 2			
Threshold.....	NOK 857,300	NOK 885,600	3.3 pct.
Rate	12.0 pct.	12.0 pct.	-
<i>Employee's social security contribution</i>			
Lower threshold for the payment of employee's social security contribution	NOK 39,600	NOK 49,650	25 pct.
Levelling rate	25.0 pct.	25.0 pct.	-
Rate			
Wage income	8.2 pct.	8.1 pct.	-0.1 percentage point
Fishing, hunting and childminding ⁴	8.2 pct.	8.1 pct.	-0.1 percentage point
Income from other self-employment	11.4 pct.	11.3 pct.	-0.1 percentage point
Pension income, etc.	5.1 pct.	5.1 pct.	-
<i>Employers' social security contribution</i>			
Zone I	14.1 pct.	14.1 pct.	-
Zone Ia.....	14.1 pct.	14.1 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.	-
<i>Maximum effective marginal tax rates</i>			
Wage income, excl. employers' social security contribution	47.2 pct.	47.1 pct.	-0.1 percentage point
Wage income, incl. employers' social security contribution	53.7 pct.	53.6 pct.	-0.1 percentage point
Pension income ⁵	44.1 pct.	44.1 pct.	-
Income from self-employment ⁴	50.4 pct.	50.3 pct.	-0.1 percentage point
Dividends and distributions ⁶	46.7 pct.	46.7 pct.	-
<i>Personal allowance</i>			
Class 1	NOK 48,800	NOK 50,400	3.3 pct.
Class 2	NOK 72,000	Abolished	Abolished

<i>Basic allowance for wage income</i>			
Rate	43.0 pct.	43.0 pct.	-
Lower limit	NOK 4,000	NOK 4,000	-
Upper limit ⁷	NOK 84,150	NOK 87,950	4.5 pct.
<i>Basic allowance for pension income</i>			
Rate	27.0 pct.	29.0 pct.	2 percentage points
Lower limit	NOK 4,000	NOK 4,000	-
Upper limit.....	NOK 70,400	NOK 72,200	2.6 pct.
<i>Special wage income allowance</i> ⁸	NOK 31,800	NOK 31,800	-
<i>Special disability allowance, etc.</i>	NOK 32,000	Abolished	Abolished
<i>Special allowance for sole providers</i>	NOK 48,804	NOK 48,804	-
<i>Special tax credit for pensioners</i>			
Maximum amount	NOK 30,000	NOK 30,800	2.7 pct.
Downscaling, level 1			
Threshold.....	NOK 175,900	NOK 180,800	2.8 pct.
Rate	15.3 pct.	15.3 pct.	-
Downscaling, level 2			
Threshold.....	NOK 266,900	NOK 273,650	2.5 pct.
Rate	6.0 pct.	6.0 pct.	-
<i>The tax limitation rule</i> ⁹			
Levelling rate	55.0 pct.	55.0 pct.	-
Tax-exempted net income			
Single person	NOK 131,400	NOK 135,700	3.3 pct.
Married person.....	NOK 120,800	NOK 124,800	3.3 pct.
Net wealth supplement			
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 15,000	NOK 15,500	3.3 pct.
Class 2	NOK 15,000	Abolished	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 illness¹⁰</i>			
Lower limit	NOK 9,180	NOK 9,180	-
<i>Maximum annual allowance for payments to individual pension schemes....</i>			
	NOK 15,000	NOK 15,000	-
<i>Allowance for travel between home and work</i>			
Rate per km.....	NOK 1.50/0.70	NOK 1.50/0.70	-
Lower allowance limit.....	NOK 15,000	NOK 15,000	-
<i>Maximum allowance for donations to charities.....</i>			
	NOK 16,800	NOK 16,800	-
<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 savings.....	NOK 25,000	NOK 25,000	-
Maximum total savings in the scheme.....	NOK 200,000	NOK 200,000	-

<i>Parental allowance for documented childminding and childcare expenses</i>			
Upper limit			
One child	NOK 25,000	NOK 25,000	-
Supplement per additional child	NOK 15,000	NOK 15,000	-
<i>Allowance per kilometre of work-related travel using a private vehicle</i>			
Allowance per kilometre up to 10,000 km	NOK 4.05	NOK 4.10	1.2 pct.
Allowance per kilometre in excess of 10,000 km	NOK 3.45	NOK 3.45	-
<i>Net wealth tax¹¹</i>			
Local government			
Threshold.....	NOK 1,000,000	NOK 1,200,000	20.0 pct.
Rate	0.7 pct.	0.7 pct.	-
Central government			
Threshold.....	NOK 1,000,000	NOK 1,200,000	20.0 pct.
Rate	0.3 pct.	0.05 pct.	-0.25 percentage point
Valuation discounts (as a percentage of market value)			
Primary residences	75 pct.	75 pct.	-
Commercial property and second dwellings	40 pct.	20 pct.	-20 percentage points
Initial second dwelling	40 pct.	40 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.)....	20 pct.	20 pct.	-
Asset group d (passenger cars, machinery and equipment, etc.) ¹²	20 (30) pct.	20 (30) 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.) ^{13,14}	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 is 23.5 pct. for taxpayers in North Troms and Finnmark.

² The rate of the special tax on petroleum activities and the economic rent tax is 51 and 31 pct., respectively.

³ The rate is 7 pct. in bracket 1 for taxpayers in North Troms and Finnmark.

⁴ 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. It is proposed that these rates be reduced to 8.1 pct. and 11.3 pct., respectively, from 2015.

⁵ For individuals who are subject to the tax limitation rule, the maximum effective marginal tax rate may be up to 55 pct.

⁶ Including 27 pct. corporate tax.

⁷ 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 87,950 for 2015.

⁸ A taxpayer earning wage income only qualifies for the higher of the basic allowance for wage income and the special wage income allowance.

⁹ The tax limitation rule will be abolished for disability benefit recipients from 2015.

¹⁰ The special allowance for high expenses due to illness will be continued as per the 2014 rules.

¹¹ The thresholds apply to single taxpayers. For married couples who are assessed jointly for joint assets, the thresholds are twice the levels specified in the table.

¹² 10 pct. initial depreciation was introduced for operating equipment in asset group d in 2014.

¹³ 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.

¹⁴ Agricultural buildings for livestock can be depreciated at a higher rate of 6 pct.

Source: Ministry of Finance.

Table 1.7 shows current rates of value added tax and excise duties, as well as rate proposals for 2015. Generally speaking, the rates of all excise duties have been increased by 2.1 pct. from 2014 to 2015 to account for anticipated inflation. Minor deviations from this are due to rounding of the rates. Reference is also made to the decision on indirect taxes in this report.

Table 1.7 Rates of indirect tax in 2014 and proposed rates for 2015

Tax category	2014 rules	Proposal 2015	Changes in pct.
<i>Value added tax, pct. of sales value¹</i>			
General rate	25	25	-
Reduced rate	15	15	-
Low rate.....	8	8	-
<i>Tax on alcoholic beverages</i>			
Spirits-based beverages in excess of 0.7 pct. alcohol by volume, NOK per pct. alcohol and per litre			
	6.98	7.13	2.1
Other alcoholic beverages from 4.7 to 22 pct. alcohol by volume, NOK per pct. alcohol and per litre			
	4.54	4.64	2.2

Other alcoholic beverages up to 4.7 pct. alcohol by volume, NOK per litre

a) 0.0 – 0.7 pct. alcohol by volume	-	-	-
b) 0.7 – 2.7 pct. alcohol by volume	3.12	3.19	2.2
c) 2.7 – 3.7 pct. alcohol by volume	11.74	11.99	2.1
d) 3.7 – 4.7 pct. alcohol by volume	20.34	20.77	2.1

Tax on tobacco products

Cigars, NOK per 100 grams	239	244	2.1
Cigarettes, NOK per 100 units	239	244	2.1
Smoking tobacco, NOK per 100 grams	239	244	2.1
Snuff, NOK per 100 grams.....	97	99	2.1
Chewing tobacco, NOK per 100 grams	97	99	2.1
Cigarette paper, NOK per 100 units.	3.65	3.73	2.2

Motor vehicle registration tax

Passenger cars, etc. Tax group a²

Weight, NOK per kg

first 1,150 kg.....	38.30	39.10	2.1
next 250 kg	83.50	85.25	2.1
next 100 kg	167.01	170.52	2.1
remainder	194.23	198.31	2.1

Engine power, NOK per kW

first 70 kW	0	0.00	-
next 30 kW.....	240.00	245.04	2.1
next 40 kW.....	695.00	709.60	2.1
remainder.....	1,720.00	1,756.12	2.1

NO _x emissions, NOK per mg/km.....	46.14	47.11	2.1
---	-------	-------	-----

CO₂ emissions, NOK per g/km

first 105 g/km.....	0	0.00	-
next 15 g/km	779.00	795.36	2.1
next 40 g/km	785.00	801.49	2.1
next 70 g/km	1,830.00	1,868.43	2.1
remainder	2,938.00	2,999.70	2.1

allowance for emissions below 105 g/km, applicable down to 50 g/km and only to vehicles emitting less than 105 g/km	829.00	846.41	2.1
---	--------	--------	-----

allowance for emissions below 50 g/km, only applicable to vehicles emitting less than 50 g/km.....	984.00	1,004.66	2.1
--	--------	----------	-----

Vans class 2. Tax group b,³

weight, pct. of passenger car tax.....	22	22	-
engine power, pct. of passenger car tax	22	22	-

NO _x emissions, pct. of passenger car tax.....	30	30	-
CO ₂ emissions, pct. of passenger car tax	30	30	-
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 f,			
tax per unit, NOK.....	11,043	7,895	-28.5
Engine power, NOK per kW			
first 11 kW	0	0	-
remainder	491.44	250.00	-49.1
Piston displacement, NOK per cm ³			
first 125 cm ³	0	0	-
next 775 cm ³	37.93	32.14	-15.3
remainder	83.17	70.48	-15.3
Snowmobiles. Tax group g			
Weight, NOK per kg			
first 100 kg.....	15.56	13.19	-15.2
next 100 kg	31.13	26.38	-15.3
remainder	62.23	52.74	-15.2
Engine power, NOK per kW			
first 20 kW	41.51	21.19	-49.0
next 20 kW.....	82.99	42.37	-48.9
remainder	165.96	84.72	-49.0
Piston displacement, NOK per cm ³			
first 200 cm ³	3.25	2.32	-28.6
next 200 cm ³	6.49	4.64	-28.5
remainder	12.97	9.27	-28.5
Taxis. Tax group h, ⁵			
weight, pct. of passenger car tax.....	40	40	-
engine power, 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	100	100	-
Vintage cars. Tax group i,			
tax per unit, NOK.....	3,637	3,713	2.1
Minibuses. Tax group j, ⁶			
pct. of passenger car tax	40	40	-
<i>Annual motor vehicle tax, NOK per year</i>			
Petrol vehicles and diesel vehicles with a factory-fitted particle filter	2,995	3,060	2.2
Diesel vehicles without a factory-fitted particle filter.....	3,490	3,565	2.1

Caravans	1,120	0	-100.0
Motorbikes.....	1,835	1,875	2.2
Tractors, mopeds, etc.	425	435	2.4
<i>Annual weight-based tax, NOK per year</i>	variable	variable	-51.6
<i>Re-registration tax</i>	variable	variable	-33.6
<i>Road usage tax on engine fuel, NOK per litre</i>			
Petrol ⁷	4.87	4.87	0.0
Auto diesel ⁸	3.82	3.82	0.0
Biodiesel meeting the sustainability criteria	1.91	1.91	0.0
<i>Electricity consumption tax, øre per kWh</i>			
General rate	12.39	12.65	2.1
Reduced rate	0.45	0.45	-
<i>Base tax on mineral oil, etc.</i>			
Mineral oil, NOK per litre.....	1.557	1.590	2.1
Mineral oil in the wood-processing industry, production of dyes and pigments, NOK per litre	0.126	0.126	-
<i>Tax on lubricating oil, NOK per litre</i>	1.94	2.59	33.5
<i>CO₂ tax</i>			
Petroleum activities, NOK per litre or Sm ³	0.98	1.00	2.0
Mineral oil, general rate, NOK per litre.....	0.88	0.90	2.3
Mineral oil subject to road usage tax, NOK per litre	0.62	0.63	1.6
Mineral oil for domestic aviation subject to emission quotas, NOK per litre	0.56	0.57	1.8
Mineral oil for other domestic aviation, NOK per litre	0.84	0.86	2.4
Mineral oil for the wood-processing, herring meal and fish meal industries, NOK per litre	0.31	0.31	-
Mineral oil for fishing and hunting in coastal waters, NOK per litre	0.26	0.27	3.8
Petrol, NOK per litre.....	0.93	0.95	2.2
Natural gas, NOK per Sm ³	0.66	0.67	1.5
LPG, NOK per kg	0.99	1.01	2.0
Reduced rate for natural gas, NOK per Sm ³	0.05	0.05	-
<i>Sulphur tax, NOK per litre</i>	0.079	0.081	2.5

<i>Tax on NOx emissions, NOK per kg</i>	17.33	17.69	2.1
---	-------	-------	-----

<i>Tax on the final disposal of waste, NOK per tonne</i>			
Tax on biodegradable waste deposited pursuant to an exemption granted by the pollution control authorities			
	488	0	-100.0
Tax on the depositing of other waste			
	294	0	-100.0
<i>Tax on trichloroethene (TRI) and tetrachloroethene (PER), NOK per kg</i>			
	66.65	68.05	2.1
<i>Tax on hydrofluorocarbons (HFC) and perfluorocarbons (PFC), NOK per tonne of CO₂ equivalents</i>			
	330	337	2.1
<i>Tax on chocolate and sugar products, etc., NOK per kg</i>			
	18.91	19.31	2.1
<i>Tax on non-alcoholic beverages</i>			
Finished products, NOK per litre			
	3.12	3.19	2.2
Concentrate (syrup), NOK per litre			
	19.03	19.43	2.1
<i>Sugar tax, NOK per kg</i>			
	7.32	7.47	2.0
<i>Tax on beverage packaging, NOK per unit</i>			
Base tax, disposable packaging			
	1.10	1.12	1.8
Environmental tax			
a) Glass and metals			
	5.34	5.45	2.1
b) Plastics			
	3.22	3.29	2.2
c) Cartons and cardboard			
	1.32	1.35	2.3
<i>Stamp duty, pct. of sales price</i>			
	2.5	2.5	-

¹ Changes to value added tax rates are 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. Change specified in percentage points. The highest level of the CO₂ component does not apply to group b, and the second-highest level is 25 pct. of the tax on passenger cars.

⁴ Group c: Camper vans. Change specified in percentage points. No NO_x component applicable.

⁵ Group h: Taxis and vehicles for disabled persons. Change specified in percentage points. The two highest levels of the CO₂ component do not apply to group h.

⁶ Group j: Buses shorter than 6 metres with up to 17 seats, of which at least 10 are forward-facing. Change specified in percentage points. The highest level of the CO₂ component does not apply to group j. No NO_x component applicable.

⁷ Petrol with a sulphur content of 10 ppm or lower.

⁸ Diesel with a sulphur content of 10 ppm or lower. This rate also applies to biodiesel that does not meet the sustainability criteria.

Source: Ministry of Finance.

1.7 Allocation of public sector tax revenues

Table 1.8 provides a general overview of the main groups of taxes and shows which parts of the public sector receive the revenues from each main group. In total, tax revenues are estimated at NOK 1,261 billion in 2014, of which about 87 pct. accrue to central government, just below 11 pct. to local government and just over 2 pct. 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 32 pct. of central government tax revenues are in the form of value added tax, excise duties and customs duties. About 26 pct. come from personal taxpayers, whilst about 23 pct. is accounted for by income tax and net wealth tax from non-personal taxpayers and employers' social security contributions in Mainland Norway. About 16 pct. of the central government revenues in 2014 are in the form of taxes from the petroleum sector. Other taxes account for about 3 pct.

Table 1.8 Accrued taxes specified by tax creditors. Estimates for 2014. NOK billion

	Total	Central government	Local government	Regional government
<i>Personal taxpayers</i>	443.2	285.8	129.4	27.9
Tax on ordinary income	283.6	135.5	120.2	27.9
Surtax	23.9	23.9	-	-
Employee's social security contribution	122.5	122.5	-	-
Tax on net wealth.....	13.2	3.9	9.2	-
<i>Enterprises (whose taxes are payable in arrears)</i>	84.8	83.2	1.4	0.2
Income tax (including power plants)	84.5	82.9	1.4	0.2
Tax on net wealth.....	0.4	0.4.	-	-
<i>Recurrent tax on immovable property</i>	9.0	-	9.0	-
<i>Employers' social security contribution</i>	165.9	165.9	-	-
<i>Indirect taxes</i>	349.4	349.4	-	-

Value added tax	246.6	246.6	-	-
Excise duties and customs duties.....	102.8	102.8	-	-
<i>Petroleum</i>	174.0	174.0	-	-
Tax on income	165.8	165.8	-	-
Tax on extraction, etc.....	8.2	8.2	-	-
<i>Other direct and indirect taxes</i>	34.2	33.6	0.6	-
Social security and pension premiums, other central government and social security accounts ¹	25.6	25.6	-	-
Tax on dividends for foreign shareholders....	2.8	2.8	-	-
Inheritance tax	1.8	1.8	-	-
Other direct and indirect taxes ²	4.1	3.5	0.6	-
Total direct and indirect taxes	1,260.5	1,092.0	140.3	28.2
Of which direct taxes	911.1	742.6	140.3	28.2

¹ Including, *inter alia*, 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.