



Norwegian Ministry
of Finance

Chapter 1

Prop. 1 LS (2021–2022)
Proposition to the Storting (bill and draft resolution)
For the Fiscal Year 2022

Taxes 2022



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Taxes 2022

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*Recommendation from the Ministry of Finance of 1 October 2021,
approved in the Council of State on the same date.
(Solberg Government)*

1 Main features of the tax policy

1.1 The Norwegian government's tax policy

The Norwegian government is working towards a sustainable welfare society by restructuring the Norwegian economy and facilitating economic growth and the Green Shift, job creation and greater social mobility. The tax policy will contribute to attainment of these goals.

The government will utilise the tax system to finance public goods, bring about more efficient resource utilisation and provide better conditions for Norwegian business and industry, while at the same time contributing to redistribution. Norwegian private ownership will be strengthened, and it will pay to work, save and invest. Taxes will also be used to stimulate more environmentally friendly behaviour. Improvements to the tax system are therefore a key aspect of the government's economic policy and an important instrument in the promotion of economic growth.

Overall, the government has cut taxes by around NOK 37 billion accrued, at 2021 prices, since the government took office. In addition, temporary tax cuts for the petroleum sector, which are estimated to have a present value of NOK 10 billion, were introduced in spring 2020.

The changes introduced by the government up to and including 2021 comprise:

- Income tax has been reduced for both individuals and companies. The reduction in the tax rate applied to general income for individuals and companies from 28 to 22 per cent is helping to stimulate both saving and investment. The reduction in marginal tax rates for individuals and the abolition of tax class 2 have strengthened employment incentives.
- Tax on commercial activity, including corporate tax, has been cut by around NOK 6 billion net.
- Net wealth tax has been cut by approximately NOK 10 billion. These reductions are helping to stimulate saving, improve the availability of Norwegian equity and boost investments in commercial activity. The tax rate has been cut, the tax-free allowance has been raised, and a separate valuation discount has been introduced for shares, fixed assets and assigned debt. The valuation of assets has become more consistent.
- There has been a marked shift towards environmentally oriented taxes. The general level of taxation through the CO₂ Tax on Mineral Products has been increased, while a number of exemptions and reduced rates have been abolished.
- Inheritance Tax has been abolished. This will ease the liquidity burden associated with generational shift and represents a major simplification in the tax system.
- A raft of changes have been introduced in order to encourage entrepreneurship. For example, a tax scheme has been introduced concerning options in small start-up companies, along with a tax incentive scheme for investments in such enterprises.
- The Young people’s housing savings scheme (BSU) has been improved by raising the upper limits and targeting the scheme at those who do not already own a home.

- The TV Licence has been abolished and replaced by ordinary tax funding.
- The rules concerning benefits in kind and employment-related gifts have been improved and made more flexible.
- Simpler rules have been introduced for foreign workers on short-term stays in Norway, by taxing earned income according to a gross method at a flat rate of 25 per cent.
- The R&D tax credit scheme (Skattefunn), which stimulates research and innovation within the business sector, has been expanded.
- Resource rent tax for hydropower has been changed into a cash flow tax.
- An obligation has been introduced to provide the tax authorities with information from digital platforms concerning rentals and services provided via such platforms, in order to contribute to correct taxation.
- A withholding tax has been introduced on interest and royalties of 15 per cent in order to counter the transfer of profits to low-tax countries.
- Regarding motor vehicle taxes, the One-off Registration Tax on Vehicles has been revised to make it more environmentally friendly, and the substantial tax benefits for electric cars have been continued. This has helped to increase the proportion of zero- and low-emission cars in the new car fleet and reduced revenues for central government. The government has presented principles for sustainable car taxes and begun the follow-up process by proposing a number of measures which will slow the decline in tax revenues.
- Re-registration Tax has been reduced and simplified.
- Overpriced fees have been cut by just under NOK 1 billion.
- The general tax avoidance rule has been reviewed and legislated.

1.2 Main features of the government’s tax programme for 2022

The 2022 budget builds on the strategy adopted for the roadmap out of the COVID-19 crisis. The government will facilitate more profitable

jobs in the private sector, build expertise and promote inclusion. The white paper on long-term perspectives for the Norwegian economy and the white paper on climate policy describe the challenges that must be faced over the coming years, irrespective of the pandemic and its aftermath. The tax system must be adapted and deliver in the face of demographic changes, financial challenges and, last but not least, the challenges relating to the environment and climate change. At the same time, the distribution profile must also be addressed.

The government's proposed 2022 National Budget implements the first stage of an increase in taxes on non-ETS emissions of greenhouse gases to around NOK 2,000 per tonne of carbon dioxide in 2030 at 2020 prices. Efforts continue to be made to slow the decline in tax revenues and make motor vehicle taxes more sustainable going forward.

In 2022, the government will prioritise reductions in income tax and wealth tax. Proposals have been put forward for a job allowance for young people, a lower Bracket Tax, an increase in the low rate in Parental Allowance, increased valuation discount of shares and a more favourable option tax scheme for start-up companies. In addition, certain adjustments are proposed to the scheme concerning differentiated employer's National Insurance contributions (changes in scope).

The tax programme for 2022 will improve framework conditions for employment and value creation, and strengthen incentives for climate-friendly decisions. This is in line with the framework for the government's tax policy in the Granavolden political platform. Overall, the proposal will see the introduction of new tax cuts totalling NOK 0.2 billion in 2022; see Table 1.1. The tax cuts to be introduced under this government through the proposed National Budget will collectively amount to NOK 38 billion at 2022 prices, once they have been fully implemented.

Higher climate taxes and compensation for households

The government attaches great importance to using taxes in a manner which ensures that climate targets are achieved efficiently. From 2022, the escalation of taxes on non-ETS emissions of greenhouse gases to around NOK 2,000 per tonne of carbon dioxide at 2020 prices

in 2030, will start, in line with the white paper on climate policy. Polluters will thus gradually have to pay more for their emissions. This will stimulate climate-friendly investments. The government is proposing that the general level of taxation on non-ETS emissions of greenhouse gases be increased by 28 per cent over and above the price adjusted level in 2022. Higher climate taxes have a broad impact. The additional revenue raised through higher taxes on non-ETS emissions of greenhouse gases will be used for tax cuts. The government is proposing that Electricity Tax be cut by NOK 0.015 per kWh. This will benefit most households.

At the same time, the government is aiming to ensure that tax cuts primarily benefit the groups who are actually affected by the tax rise. The government is proposing that Road Traffic Insurance Tax be cut annually by NOK 95. The cut in Road Traffic Insurance Tax will reduce costs for car owners, yet retain the incentives to reduce the use of fossil fuel cars as a result of the increase in CO₂ Tax. In 2022, commuters will specifically benefit through restructuring of the Travel Allowance. Travel Allowance rates are being increased to a single rate of NOK 1.65 per kilometre. The basic deduction, i.e. the threshold for being eligible for Travel Allowance, is being lowered by about NOK 10,000 for taxpayers who are resident in the approximately 270 least central municipalities according to Statistics Norway's Centrality Index.

Sustainable motor vehicle taxes

In recent decades, motor vehicle taxes have been used to influence the composition of the vehicle fleet in the direction of low- and zero-emission cars. Zero-emission cars are exempt from VAT, One-off Registration Tax and Re-registration Tax, and are subject to a lower rate of Road Traffic Insurance Tax. The use of zero-emission cars is also not subject to Road Usage Duty. This policy has helped Norway to become a leader on the international stage as regards the proportion of electric cars in the vehicle fleet. During the first eight months of 2021, electric cars accounted for approximately 60 per cent of new car sales.

At the same time, the policy instruments imply that the external costs associated with using low- and zero-emission vehicles, except CO₂ emissions, are either not priced at all or priced in a poorly targeted manner. In the 2022 National Budget, the government is proposing changes that will slow the decline in revenues, while strengthening the incentives to purchase an electric car.

The government's goal is for only zero-emission cars to be sold from 2025. To achieve this goal, zero-emission cars will also have to replace rechargeable hybrid cars. The government is therefore proposing to reduce the tax benefits that rechargeable hybrid cars offer as regards One-off Registration Tax on Vehicles. The government is furthermore proposing to increase the CO₂ component in the One-off Registration Tax on cars. The introduction of Re-registration Tax and full Road Traffic Insurance Tax for electric cars is also proposed. In addition, a study will be initiated regarding a position-based road usage duty which can price the external costs associated with all vehicles in a better way than the current Road Usage Duty.

Reduced Bracket Tax and a new job allowance for young people

The increase in revenues as a result of changes to motor vehicle taxes will create scope for broad tax cuts in the form of reduced taxes on employment. The government is proposing to reduce the rate in steps 1 and 2 of Bracket Tax by 0.3 and 0.2 percentage points respectively, so that the marginal tax on earned income is reduced for those on low and middle incomes. This represents a continuation of the government's policy to facilitate a healthy labour market.

The government is also prioritising cuts in income tax, which will help to encourage young people to find employment and contribute to redistribution in the desired direction. The government is proposing the introduction of a job allowance of NOK 23,500 for young people under the age of 30. This proposal must be viewed in the context of other measures implemented by the government to shorten the route for young people into working life. This particularly applies to measures relating to education and competency, including measures to encourage more people to complete upper secondary education and

improve mental health, along with targeted measures within the Norwegian Labour and Welfare Administration (NAV) such as the specific youth initiative.

Options in employment

In order to promote restructuring, we must facilitate the start-up and development of new enterprises. The government is proposing a new and improved scheme for taxation on options in employment. This will make it easier for start-up and growth companies to attract and retain expertise, and more people will have the opportunity to become co-owners of their own company. Neither the allocation of the option nor the gain made upon redemption of the share option will trigger a tax liability for employees. The gain will be taxed as share income when the shares are eventually realised. The scheme will be very similar to the current scheme in Sweden.

Wealth Tax

The government is continuing to cut net wealth tax in order to support Norwegian owners in developing new commercial ventures and job creation. In 2022, it is proposed that the capital value of shares and fixed assets be reduced to 50 per cent of the valuation for Wealth Tax. In addition, the tax-free allowance is being increased to NOK 1.6 million. The government is also proposing a number of expansions to the basis for paying Wealth Tax. Valuations of holiday properties, secondary dwellings and high-value residential properties are being increased, and the established practice which results in fisheries and fish farming permits being valued too low will be abolished.

Natural resources

A proposal to change Special Tax levied on the petroleum sector into a neutral cash flow tax was distributed for consultation on 3 September 2021, with a view to being implemented with effect from the 2022 income year. The switch to a cash flow tax, with immediate expensing

of investments, will lead to greater consistency between the profitability assessments of companies and society at large, bring about predictability regarding future tax rules and at the same time provide companies with a significant liquidity boost. A tax on onshore wind power is also being introduced at the rate of NOK 0.01 per generated kWh. This tax will take effect from the date determined by the Ministry.

Other proposed tax reforms

The government is also proposing other reforms to the tax rules, including:

- The personal allowance and exemption card limit are being adjusted to take account of wage levels.
- The minimum standard deduction from wages/National Insurance contributions is being increased from 46 to 48 per cent.
- The tax-free minimum Pension Tax level is being adjusted by increasing the minimum standard deduction for pensions from 37 to 40 per cent.
- The maximum rebate for shares at a discount in the employer company is being raised from 25 to 30 per cent.
- The tax rules for housing companies which increase the limit on the number of housing units that can be let under a rent-to-own model are being revised.
- A number of upper limits in the tax system will remain nominally unchanged. This applies for example to the trade union allowance, the high rate for Parental Allowance, the tax-free net income and the wealth supplement in the tax limitation rule, the special allowance applicable in the action zone in Troms and Finnmark, the Fishermen's Allowance and Seafarers' Allowance and the maximum savings level in the Young people's housing savings scheme (BSU).
- Resource rent tax for hydropower is being revised to coordinate it better with corporate tax.
- Air passenger tax is being reintroduced.
- CO₂ Tax levied on natural gas and LPG within the greenhouse industry is being introduced at 20 per cent of the standard tax rate. The aim is to introduce the full tax from 2026.

- The mineral oil rate in Road Usage Duty is being raised, while the corresponding biodiesel rate is being reduced, so that the rates will become equal.
- CO₂ Tax levied on natural gas which is discharged into the atmosphere by the petroleum sector is being increased to the standard tax level applicable to non-ETS emissions of greenhouse gases.
- CO₂ Tax levied on the petroleum sector is being increased by 15 per cent over and above the price adjustment.
- CO₂ Tax on mineral oils for domestic aviation is being raised to the same level as that levied in the petroleum sector.
- Waste Incineration Tax is being introduced at a rate equivalent to 25 per cent of the standard tax level on non-ETS emissions.
- The exemption from VAT for naprapaths and osteopaths is being extended until 1 July 2022.
- Overcharging of fees under the Ministry of Justice and Public Security will be reduced by NOK 101.7 million in 2022.
- The fee payable for the theory test for road passenger vehicles under the Norwegian Public Roads Administration is being cut from NOK 680 to NOK 350.
- The sectoral tax under the Financial Supervisory Authority of Norway is being increased by NOK 21 million.
- The sectoral tax under the Norwegian Metrology Service is being cut by NOK 20 million.
- The sectoral tax under Petroleum Safety Authority Norway is being increased by NOK 17 million.

1.3 Increase in revenues as a result of the proposed tax changes

Table 1.1 presents an overview of the effects of the government's proposals on revenues. The revenue implications of the tax programme have been calculated in relation to a reference system for 2022. This reference system is based on the 2021 rules adjusted upwards largely by estimated price, wage or wealth growth. In real terms, the reference system thus results in unchanged tax levels from 2021 to 2022.

Allowances and upper limits etc. in the standard rate structure of personal taxation are mainly adjusted to 2022 levels based on estimated wage growth of 3.0 per cent. Special allowances and other limits on personal taxation have primarily been adjusted using an estimated consumer price increase from 2021 to 2022 of 1.3 per cent. A taxpayer who only has ordinary allowances and growth in both general and personal income of 3.0 per cent will on average pay approximately the same amount of income tax in the reference system for 2022 as in 2021. In the reference system, all per unit taxes have been adjusted by the projected rise in consumer prices from 2021 to 2022.

The revenue table presents the revenue implications for the 2022 budget year only. Tax cuts can contribute to better use of resources and strengthen the foundations for economic growth. A proportion of the immediate loss in revenue will then be offset by growth in the bases on which taxes are paid. Tax cuts can therefore be self-financing to some degree. An increase in the tax bases can take place over a period of many years. The associated increase in revenues can therefore not be budgeted for in the budget year. As the tax bases grow and tax revenues rise, the room for manoeuvre in the budgets will increase.

Table 1.1 Estimated revenue implications of the government’s proposed tax programme for 2022. Negative numbers mean tax cuts. The estimates were calculated relative to the reference system for 2022. NOK million

	Accrued	Book
Tax on income for individuals	-4,768	-3,822
Introduce a job allowance for young people.....	-1,485	-1,190
Reduce Bracket Tax rates (steps 1 and 2).....	-2,480	-1,985
Increase the minimum standard deduction from wages/ National Insurance contributions by 2 percentage points.....	-200	-160
Adjust tax on pensions – minimum tax-free level.....	-70	-55
Adjust the personal allowance to take account of wage growth	-50	-40

Table 1.1 (cont'd)

	Accrued	Book
Increase the low rate in Parental Allowance to NOK 25,000.....	-210	-170
Adjust the Travel Allowance to offset the cost increase resulting from the higher CO ₂ Tax for owners of fossil fuel vehicles.....	-300	-240
Introduce a new option tax scheme for companies in the start-up and growth phases.....	-60	-50
Raise the discount rate when calculating tax-free benefits arising from employees' purchases of shares, etc.	-3	-2
Continue rates and upper limits nominally, etc.	90	70
Wealth Tax	-535	-425
Reduce the valuation of shares, etc. to 50 per cent.....	-790	-630
Increase the tax-free allowance to NOK 1.6 million	-300	-240
Increase the valuation of primary dwellings to 50 per cent for property values above NOK 15 million	75	60
Increase the valuation of secondary dwellings to 95 per cent....	195	155
Adjust the valuation of holiday homes upwards by 10 per cent.....	60	50
More accurate determination of the capital value of fish farming permits	260	210
Introduce a tax-free allowance in municipal wealth tax for non-residents in the same way as for residents	-35	-30
Corporate taxation	260	-194
Adjust resource rent tax for hydropower to improve coordination with corporate tax ¹	0	-280
Introduce Tax on Onshore Wind Power ²	165	0
Adjust employer's National Insurance contributions (changes in scope) ³	95	86
Environmental and motor vehicle taxes	3,709	3,347
Increase taxes on non-ETS emissions ⁴	2,004	1,794
Introduce Waste Incineration Tax	155	140

Table 1.1 (cont'd)

	Accrued	Book
Introduce a lower CO ₂ Tax on natural gas for the greenhouse industry, 20 per cent in the first year	5	5
Introduce CO ₂ Tax on natural gas and LPG for chemical reduction, etc.....	0	0
Increase CO ₂ Tax on natural gas discharged into the atmosphere by the petroleum sector ⁵	0	0
Increase taxes on ETS emissions of greenhouse gases from the aviation and petroleum sectors ⁶	19	17
Increase Road Usage Duty on natural gas and LPG.....	1	1
Equalise the Road Usage Duty rates for mineral oils and biodiesel.....	0	0
Increase One-off Registration Tax for rechargeable hybrid cars.....	1,000	900
Increase the CO ₂ component in One-off Registration Tax for fossil fuel vehicles	175	160
Reduce Road Traffic Insurance Tax ⁷	-90	-40
Introduce full Road Traffic Insurance Tax for electric cars ⁸	140	70
Introduce Re-registration Tax for electric cars	300	300
VAT	0	0
Other taxes and Customs Duty	919	1,062
Reintroduce Air Passenger Tax	1,750	1,600
Exempt consumption of self-generated renewable power from Electricity Tax with effect from 1 April 2022	-6	-4
Increase tobacco taxes by 5 per cent	275	250
Reduce the standard rate for Electricity Tax by NOK 0.015 per kWh	-1,100	-784
Sectoral taxes and overpriced fees	-161	-161
Reduce overpriced fees under the Ministry of Justice and Public Security	-102	-102
Reduce overpriced fees under the Ministry of Transport.....	-66	-66

Table 1.1 (cont'd)

	Accrued	Book
Exempt fishing fleet vessels of less than 15 metres from control fees in 2022	-11	-11
Increase the sectoral tax under the Petroleum Safety Authority Norway	17	17
Reduce sectoral taxes as a result of reduced travel costs in government activity	-1	-1
Increase the sectoral tax under the Norwegian Communications Authority (Nkom)	1	1
Budgetary measures under the Ministry of Finance	-1	-1
Increase the sectoral tax under the Financial Supervisory Authority of Norway – efficiency and digitalisation measures...	22	22
Reduce the sectoral tax under the Norwegian Metrology Service	-20	-20
New tax changes in 2022	-576	-193

- ¹ The proposal entails the deduction of resource rent-related corporate tax from the base for resource rent tax. When resource rent-related corporate tax is deducted, the base for resource rent tax is reduced. It is therefore proposed that the resource rent tax rate be technically adjusted upwards in order to continue the same effective marginal tax as at present, i.e. 59 per cent.
- ² The tax is formulated as an excise duty, where the revenues accrue to central government, but are distributed to the host municipalities. The revenues presuppose that the tax will take effect on 1 January 2022. The revenues from the tax will be booked in 2023.
- ³ The tax rise means that appropriations to the subsidy scheme for the employment of seafarers (the net wage scheme) must be increased by NOK 26.7 million in 2022. This is included in the estimate in the table.
- ⁴ The tax rise means that certain transport companies with contracts with the public sector may be entitled to compensation. It is proposed that the appropriations to county councils and the Ministry of Transport be increased by approximately NOK 146 million in order to take account of this. The appropriation increase is included in the estimate given in the table. The estimate also includes increased expenditure on the compensation scheme for the fishing industry of NOK 50 million.
- ⁵ It is estimated that the increase will result in a net increase in revenue, i.e. after tax (78 per cent) and the SDFI, of approximately NOK 4 million accrued and NOK 2 million booked. Taxes from the petroleum sector are transferred to the Government Pension Fund Global and therefore do not affect the budgetary leeway for 2022.
- ⁶ It is estimated that the increase in CO₂ Tax in the petroleum sector will result in a net increase in revenue, i.e. after tax (78 per cent) and the SDFI, of approximately NOK 150 million accrued and NOK 75 million booked. Taxes from the petroleum sector are transferred to the Government Pension Fund Global and therefore do not affect the budgetary leeway for 2022.
- ⁷ The full-year effect is just under NOK -250 million.
- ⁸ The full-year effect is approximately NOK 400 million.

Source: Ministry of Finance.

Table 1.2 shows tax revenue estimates for 2022, as well as estimates for 2021 and accounting figures for 2020, divided into chapters and items.

Tabell 1.2 Tax revenues divided into chapters and items. NOK million

Chap.	Item	Designation	Budget estimate 2021			Proposal 2022
			Accounts 2020	Balanced budget	Estimate NB2022	
5501		Taxes on wealth and income				
	70	Bracket Tax, etc.....	79,590	68,620	76,500	75,740
	72	Equalisation Tax to central government, etc. from personal taxpayers.....	115,777	107,460	109,000	127,960
	74	Corporate taxes etc. from non-personal taxpayers other than petroleum	96,091	68,000	78,700	96,020
	75	Wealth Tax	-	2,585	2,600	2,700
	76	Withholding tax on dividends	-	5,410	4,700	5,300
	77	Withholding tax on interest payments	-	40	40	80
	78	Withholding tax on royalty payments	-	5	5	10
	79	Withholding tax on rent payments for certain physical assets	-	100	100	400
5502		Financial Activity Tax				
	70	Tax on wages	2,022	2,170	2,500	2,600
	71	Tax on profits	3,527	2,560	3,000	3,120
5506	70	Tax on Inheritance and Gifts.....	64	0	40	0

Table 1.2 (cont'd)

Chap.	Item	Designation	Budget estimate 2021			Proposal 2022
			Accounts 2020	Balanced budget	Estimate NB2022	
5507		Taxes on petroleum production				
	71	Standard tax on wealth and income.....	43,011	8,900	20,700	47,500
	72	Special Tax on Petroleum Incomes.....	90,490	-600	30,900	112,800
	74	Area fee, etc.....	1,505	1,600	1,400	1,300
5508	70	Tax on CO ₂ emissions in the petroleum sector on the continental shelf.....	5,371	6,000	5,900	6,300
5509	70	Tax on NO _x emissions in the petroleum sector on the continental shelf.....	2	1	1	1
5511		Customs revenues				
	70	Customs Duty.....	3,307	3,200	3,500	3,400
	71	Auction revenues from customs quotas.....	281	235	270	275
5521	70	VAT.....	306,740	324,637	327,000	360 500
5526	70	Alcohol Duty.....	17,660	13,190	17,100	15,400
5531	70	Duty on Tobacco Products, etc.....	8,958	6,375	8,600	7,350
5536		Taxes on motor vehicles, etc.				
	71	One-off Registration Tax.....	9,615	9,490	8,500	8,560
	72	Road Traffic Insurance Tax.....	9,173	9,500	9,500	10,430
	73	Weight-based Motor Vehicle Tax.....	330	360	360	370

Table 1.2 (cont'd)

Chap.	Item	Designation	Budget estimate 2021			Proposal 2022
			Accounts 2020	Balanced budget	Estimate NB2022	
	75	Re-registration Tax.....	1,465	1,425	1,500	1,750
5538		Road Usage Duty on fuels				
	70	Road Usage Duty on petrol.....	4,464	4,050	4,300	4,300
	71	Road Usage Duty on auto diesel.....	9,642	9,100	10,000	9,900
	72	Road Usage Duty on natural gas and LPG.....	8	13	13	14
5541	70	Electricity Tax.....	10,665	11,402	11,500	11,616
5542		Taxes on mineral oils, etc.				
	70	Base Tax on Mineral Oils, etc.....	1,756	1,740	1,750	1,750
	71	Tax on Lubricating Oils, etc.....	111	125	115	125
5543		Environmental taxes on mineral products, etc.				
	70	CO ₂ Tax.....	8,399	8,667	9,000	11,019
	71	Sulphur Tax.....	2	2	8	8
5546	70	Waste Incineration Tax....	-	110	0	140
5547		Taxes on hazardous chemicals				
	70	Trichloroethene (TRI)	0	0	0	0
	71	Tetrachloroethene (PER)	0	1	1	1

Table 1.2 (cont'd)

Chap.	Item	Designation	Budget estimate 2021			Proposal 2022
			Accounts 2020	Balanced budget	Estimate NB2022	
5548	70	Tax on Hydrofluoro- carbons (HFCs) and Perfluorocarbons (PFCs)	281	335	335	430
5549	70	Tax on NO _X Emissions	54	60	60	65
5550	70	Environmental Tax on Pesticides	67	65	65	65
5551		Taxes relating to mineral undertakings				
	70	Fee relating to subsea natural resources other than petroleum	1	1	1	1
	71	Annual fee relating to minerals.....	7	2	5	5
5552	70	Tax on Fish Production	-	-	-	880
5553	70	Tax on Wild Marine Resources.....	-	0	25	100
5554	70	Tax on Onshore Wind Power ¹	-	-	-	0
5555	70	Duty on Chocolate and Sugar products, etc.	1,520	125	95	0
5556	70	Duty on Non-alcoholic Beverages, etc.	3,091	1,215	900	0
5557	70	Duty on Sugar, etc.	205	200	200	200
5559		Beverage packaging taxes				
	70	Base Tax on Non- returnable Containers.....	2,328	2,200	2,400	2,200
	71	Environmental Tax on Cardboard	55	55	55	60

Table 1.2 (cont'd)

Chap.	Item	Designation	Budget estimate 2021			Proposal 2022
			Accounts 2020	Balanced budget	Estimate NB2022	
	72	Environmental Tax on Plastics.....	45	30	30	30
	73	Environmental Tax on Metals	7	5	5	5
	74	Environmental Tax on Glass.....	50	90	90	100
5561	70	Air Passenger Duty	195	0	10	1,600
5562	70	Horse Betting Duty	21	0	0	0
5565	70	Stamp Duty.....	11,256	11,680	13,500	14,300
		Sectoral taxes ²	3,640	3,874	3,783	4,094
5583	70	Tax on Frequencies, etc.....	340	273	273	277
5584	70	Abolished taxes.....	0	0	4	0
5700		National Insurance Scheme revenues				
	71	National Insurance contributions	154,541	155,130	158,200	166,412
	72	Employers' National Insurance contributions...	186,804	203,390	204,500	214,101
Total.....			1,194,533	1,055,203	1,133,639	1,333,664

¹ Proposed new tax from 2022. It is proposed that the tax be introduced from the date determined by the Ministry and that the revenues from the tax be booked in 2023.

² This is a collective item for sectoral taxes under the various ministries, which affects several chapters and items.

Source: Ministry of Finance.

Table 1.3 shows effects arising from the proposed new rule changes in 2022, divided into chapter and item.

Table 1.3 Estimated revenue effects of the tax programme for 2022 divided into chapters and items. Calculated relative to the reference system for 2022. NOK million

Chap.	Item	Designation	Change
5501		Taxes on wealth and income ¹	
	70	Bracket Tax, etc.	-1,988
	72	Equalisation Tax to central government, etc. from personal taxpayers	-1,835
	74	Corporate taxes, etc. from non-personal taxpayers other than petroleum	-280
	75	Wealth Tax	-425
	76	Withholding tax on dividends.....	0
	77	Withholding tax on interest payments.....	0
	78	Withholding tax on royalty payments.....	0
	79	Withholding tax on rent payments for certain physical assets	0
5502		Financial Activity Tax	0
	70	Tax on wages.....	0
	71	Tax on profits.....	0
5506	70	Tax on Inheritance and Gifts.....	-
5507		Taxes on petroleum production	
	71	Standard tax on wealth and income	0
	72	Special Tax on Petroleum Incomes	0
	74	Area fee, etc.	0
5508	70	Tax on CO ₂ emissions in the petroleum sector on the continental shelf ²	0

Table 1.3 (cont'd)

Chap.	Item	Designation	Change
5509	70	Tax on NO _x emissions in the petroleum sector on the continental shelf.....	0
5511		Customs revenues	
	70	Customs Duty	0
	71	Auction revenues from customs quotas.....	0
5521	70	VAT	0
5526	70	Alcohol Duty	0
5531	70	Duty on Tobacco Products, etc.....	250
5536		Taxes on motor vehicles, etc.	
	71	One-off Registration Tax	1,060
	72	Road Traffic Insurance Tax	30
	73	Weight-based Motor Vehicle Tax.....	0
	75	Re-registration Tax.....	300
5538		Road Usage Duty on fuels	
	70	Road Usage Duty on petrol.....	0
	71	Road Usage Duty on auto diesel.....	0
	72	Road Usage Duty on natural gas and LPG.....	1
5541	70	Electricity Tax.....	-788
5542		Taxes on mineral oils, etc.	
	70	Base Tax on Mineral Oils, etc.....	0
	71	Tax on Lubricating Oils, etc.	0
5543		Environmental taxes on mineral products, etc.	
	70	CO ₂ Tax	1,922
	71	Sulphur Tax.....	0
5546	70	Waste Incineration Tax.....	140

Table 1.3 (cont'd)

Chap.	Item	Designation	Change
5547		Taxes on hazardous chemicals	
	70	Trichloroethene (TRI)	0
	71	Tetrachloroethene (PER)	0
5548	70	Tax on Hydrofluorocarbons (HFCs) and Perfluorocarbons (PFCs)	90
5549	70	Tax on NO _x Emissions	0
5550	70	Environmental Tax on Pesticides	0
5551		Taxes relating to mineral undertakings	
	70	Fee relating to subsea natural resources other than petroleum	0
	71	Annual fee relating to minerals	0
5552	70	Tax on Fish Production	0
5553	70	Tax on Wild Marine Resources	0
5554	70	Tax on Onshore Wind Power ³	0
5557	70	Duty on Sugar, etc.	0
5559		Beverage packaging taxes	
	70	Base Tax on Nonreturnable Containers	0
	71	Environmental Tax on Cardboard	0
	72	Environmental Tax on Plastics	0
	73	Environmental Tax on Metals	0
	74	Environmental Tax on Glass	0
5561	70	Air Passenger Duty	1,600
5565	70	Stamp Duty	0
		Sectoral taxes and overpriced fees ⁴	-161
5583	70	Tax on Frequencies, etc.	0

Table 1.3 (cont'd)

Chap.	Item	Designation	Change
5700		National Insurance Scheme revenues	
	71	National Insurance contributions	13
	72	Employers' National Insurance contributions	74
Total changes in taxes, duties and revenues for the National Budget ⁵			3

¹ Effects apply to central government and the municipal sector.
² It is estimated that the proposed changes will result in gross added revenue of approximately NOK 930 million accrued and NOK 465 million booked. The net added revenue, i.e. after tax (78 per cent) and SDFI, is estimated at approximately NOK 150 million accrued and NOK 75 million booked. Revenues from CO₂ Tax in the petroleum sector are included in the cash flow from the petroleum sector, which are transferred in their entirety to the Government Pension Fund Global.
³ Proposed new tax from 2022. It is proposed that the tax be introduced from the date determined by the ministry and that the revenues be booked in 2023.
⁴ The sectoral tax and overpriced fees that will change are set out in Table 1.1.
⁵ Deviations from Table 1.1 are due to compensations on the expenditure side totalling NOK 196 million; see footnote 4 in Table 1.1.

Source: Ministry of Finance.

1.4 Effects of the tax policy on resource use and distribution

Dynamic effects

Various taxes have different effects on resource use in the economy. Some taxes contribute to the better use of resources. This applies for example to taxes that lead to more correct pricing of health and environmentally harmful activities. Appropriately formulated resource rent taxes on geographically fixed natural resources will appear to be neutral, so that projects that are profitable before resource rent tax will also be profitable after resource rent tax. On the other hand, most taxes lead individuals and businesses to alter the decisions they make in such a way that resources are utilised less efficiently. For example, taxes on employment make it less profitable to work. Similarly, it becomes less profitable to repay debt, put money in the bank or buy shares if a proportion of the return is deducted in the form of tax. Taxes on corporate profits result in fewer investments becoming profitable for the enterprises concerned.

Most tax revenues must come from taxes which, in isolation, have a negative impact on the economy. For a given tax level, the negative effects will be minimised if the greatest emphasis is placed on taxes that have little impact on the decisions of individuals and businesses, and if tax rates are low and imposed on a broad base, rather than high and imposed on a narrow base. High rates of distorting taxes create strong incentives to alter behaviour. This results in resources being used less efficiently and can hinder economic growth. High rates will also make it more profitable to circumvent or evade tax.

Reducing tax rates can therefore contribute to the better use of resources and lay the foundations for further growth. The potential for socio-economic gains from tax cuts will depend on how high the rates are in the first place, and how distorting the individual tax category is as regards resource use. For example, economic research suggests that lower tax rates on corporate profits and employment can have particularly beneficial effects. The 2014 Tax Committee referred to international research and concluded that property taxes and consumption taxes inhibit economic growth less than other types of taxes; cf. NOU 2014: 13 *Capital Taxation in an International Economy*. The Committee noted that traditional corporate and personal income taxes (taxes on employment and capital income) reduce economic growth more than other taxes.

During the period 2013–2019, the tax rate on general income for companies and individuals was reduced by 6 percentage points, from 28 to 22 per cent. This underpins the potential for growth in the mainland economy by stimulating increases in investments and labour supply over time. In particular, lower rates of corporate tax are believed to have a positive effect. Estimates from the 2014 Tax Committee indicate that the changes made to corporate tax could have a self-financing ratio of 20–40 per cent over time.

The reduction in the tax rate on general income for individuals, combined with a switch from surtax to bracket tax, has reduced the marginal tax rate on both employment and savings. During the period 2013–2021, the total marginal tax rate on employment was reduced by between 1.4 and 3.9 percentage points for those paying bracket tax (those with a personal income of at least NOK 184,800 in 2021). For

individuals who pay tax on general income but whose employment income is below the bracket tax threshold, marginal tax was reduced by 4.5 percentage points over the same period. This will stimulate employment and may be self-financing to some extent over time.

The government's proposed income tax cuts from 2022 will further reduce the marginal tax paid by many people on low and middle incomes. Figure 1.1 shows the reduction in marginal tax on wages from 2013 to 2022, including the government's proposed relief in bracket tax and the minimum standard deduction for earned income. In addition, the proposed job allowance for young people (17–29 years) will stimulate the transition from social security benefits to employment. Those who are already in employment and have a relatively low employment income will also have a greater incentive to work more, while the marginal tax rate among some groups of young people with somewhat higher employment incomes will increase as a result of the reduction in the allowance.

In isolation, the reduction in the tax rate on general income for individuals has cut the marginal tax on capital income by 6 percentage points. Empirical research suggests that higher returns after tax lead to an overall increase in saving, but it is uncertain how great this effect is.

The reduction in the net wealth tax rate from 1.1 to 0.85 per cent and the reduction in the valuation of shares and fixed assets in net wealth tax will, when combined with the reduction in the tax rate on general income, increase the return after tax from investments in shares and fixed assets for those who are liable to pay net wealth tax. Furthermore, the favouritising in net wealth tax of investments in primary dwellings and holiday homes rather than investment in commercial activity is dampened. On the other hand, the favouritising of shares and fixed assets increases somewhat compared with secondary dwellings, bank deposits and bonds. The reduced valuation may help to channel a higher proportion of savings into investments in commercial activity. It may also help to boost investments in enterprises which are dependent on Norwegian equity in order to carry out their projects. Accordingly, it is believed that a lower net wealth tax will have a positive long-term effect on the Norwegian economy and jobs.

The Ministry believes that it takes time for the dynamic effects of changes in income and wealth tax to impact on tax revenues. For example, it may take time for people to increase their working hours because they often have to increase their full-time equivalent percentage or find a new job. However, it is assumed that changes in taxes will already start to impact on prices and demand during the first year. The revenue estimates for most excise duties therefore take into account the fact that the tax base will change when tax rates are revised.

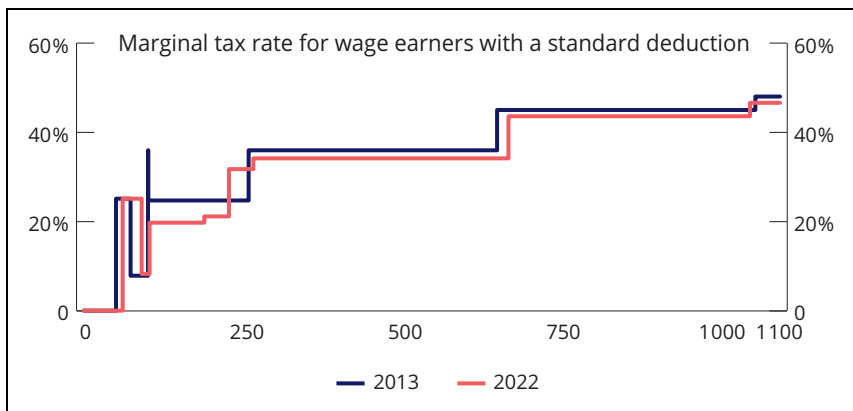


Figure 1.1 Marginal tax rate for wage earners with a standard deduction (excluding employer’s National Insurance contribution). The government’s proposed budget for 2022¹ compared with the adopted budget for 2013². NOK thousand

¹ The calculation assumes that the wage earner is aged 30 or over and therefore does not qualify for job allowance.

² Upper limits and thresholds are adjusted with wage growth.

Source: Ministry of Finance.

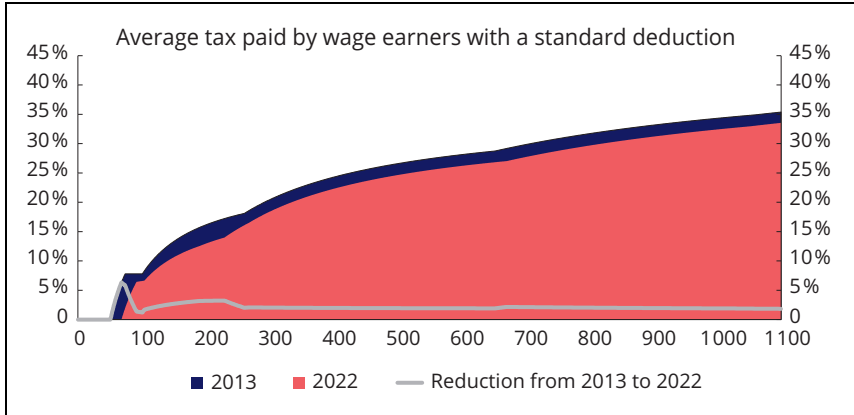


Figure 1.2 Average tax paid by wage earners with a standard deduction (without employer's National Insurance contributions). The government's proposed budget for 2022¹ compared with the adopted budget for 2013². NOK thousand

¹ The calculation includes the abolition of the TV licence in 2020. The calculation assumes that the wage earner is aged 30 or over and therefore does not qualify for job allowance.

² Upper limits and thresholds are adjusted with wage growth.

Source: Ministry of Finance.

Distributional effects

The tax system contributes directly to redistribution, partly because average tax rises with income. It also contributes indirectly by influencing adjustments by individuals within the labour market and other decisions which impact on their financial situation. When the government's tax policy makes it more profitable to invest, work and save, it will impact on income distribution over time. The government has emphasised that broad groups of the population should benefit from the tax cuts.

The sum of the cuts in income taxation under this government, including the proposal for 2022, is apparent both in the form of lower marginal taxes on employment (the increase in tax when income increases by one krone), particularly as regards low incomes, and in the form of lower average taxes (tax expressed as a percentage of

income). This is illustrated in Figures 1.1 and 1.2. The greatest reduction in the average tax rate under this government concerns low earned incomes. This is because the progressiveness of the rate structure has been increased.

The way in which average tax and marginal tax change when income rises impacts on both employment incentives and redistribution. In some cases, these considerations may need to be balanced. Any redistribution policy must take into account the fact that there may be a significant difference between the distributional effects when tax cuts have an impact on adjustments made by individuals within the labour market and the distributional effects in the budget year. At the same time, distributional effects are calculated on the basis of present day adjustments and the tax basis. The estimates therefore provide information on the effects of the tax changes in the short term, but the effects over an extended period of time are not quantified. There is a risk that the effects that can be easily calculated will receive a disproportionate amount of attention compared with the unquantified, positive effects of a tax policy which increases investment and labour supply.

Over time, a tax policy that strengthens the incentives to work will contribute to a more even distribution if more people enter employment, but it can also contribute to a more uneven distribution if high earners increase their working hours more. The government's gradual reduction in marginal taxes on employment since 2013 has resulted in lower marginal taxes throughout the income distribution, but mostly at low wage levels. This approach is being continued in the tax proposal for 2022, e.g. through the reduction in Bracket Tax in steps 1 and 2 and the new job allowance for young people under the age of 30.

The analyses reproduced below quantify the short-term distributional effects of the government's proposed tax changes for 2022.

It is estimated that 84 per cent of taxpayers will pay less tax under the proposal, 15 per cent of taxpayers will pay approximately the same amount of tax and 1 per cent of taxpayers will pay more tax. The largest tax cuts measured as a percentage of income relate to low-income groups; see Table 1.4. This is mainly due to the focus of the reductions

in income tax (higher rate for the minimum standard deductions from wages/National Insurance contributions and pensions, the cuts in Bracket Tax level 1, and the introduction of a job allowance for young people). Approximately half of the tax cuts go to individuals with a gross income of less than NOK 500,000. Overall, all taxpayers will pay an average of approximately NOK 1,200 less in tax, of which the reduction in Wealth Tax accounts for NOK 200.

The calculations include all changes in the income and wealth taxation of individuals that can be calculated using Statistics Norway's LOTTE-Skatt tax model. In total, this represents a net tax cut of approximately NOK 5.2 billion accrued. In the calculations of how the tax scheme affects different population groups, the tax that follows from the government's proposal is compared with that which follows from the reference system for 2022.

Some of the proposals that concern tax on income for individuals are not included in the distribution calculations. This applies to changes to the Travel Allowance, the introduction of a new option tax scheme for companies in the start-up and growth phase, the increase in the discount rate in tax-free benefits for employees' purchases of shares in their own company, the introduction of market valuation of fish farming permits in Wealth Tax and the introduction a tax-free allowance in the municipal component of Wealth Tax for individuals who are not resident in Norway. It is estimated that these proposals will result in additional net tax cuts of approximately NOK 0.1 billion accrued. These changes amount to approximately NOK 20 less tax per taxpayer on average, but the changes cannot be distributed according to gross income or socio-economic group. The effects of changes in corporate taxation, indirect taxes, sectoral taxes and over-priced fees are also not included in the distribution calculations.

Table 1.4 Estimated distributional effects of changes to personal taxation for all persons aged 17 years and over. Negative numbers are tax reductions. The estimates were calculated relative to the reference system for 2022

Gross income ¹ incl. tax-free benefits. NOK	Number	Average tax in the reference alternative. NOK	Average tax in the reference alternative. Per cent	Average change in tax. NOK	Change in per cent of gross income	Of which: Average change in Wealth Tax. NOK
0–100,000	374,600	1,100	3.2	0	-0.1	0
100,000–200,000	281,200	9,500	6.2	-1,500	-0.9	0
200,000–250,000	247,500	15,800	7.0	-1,700	-0.7	0
250,000–300,000	303,000	31,600	11.5	-1,200	-0.4	0
300,000–350,000	344,700	50,600	15.6	-1,000	-0.3	-100
350,000–400,000	328,600	67,800	18.1	-1,100	-0.3	-100
400,000–450,000	310,800	85,400	20.1	-1,000	-0.2	-100
450,000–500,000	311,000	103,100	21.7	-1,000	-0.2	-100
500,000–550,000	289,600	119,600	22.8	-900	-0.2	-100
550,000–600,000	270,400	136 000	23.7	-1,000	-0.2	-100
600,000–700,000	437,900	159,800	24.7	-1,100	-0.2	-100
700,000–800,000	286,700	197,100	26.4	-1,200	-0.2	-100
800,000–1,000,000	301,400	255,800	28.8	-1,300	-0.1	-200
1,000,000 and above	-354,800	-571,600	34.6	-2,500	-0.2	-1,400
Total	4,442,300	133,400	25,0	-1,200	-0.2	-200

¹ Gross income includes salary, social security, pension, business and capital income before tax, as well as tax-free benefits.

Source: Ministry of Finance and Statistics Norway's tax model, LOTTE-Skatt.

For the wage earners group, the total reduction is estimated at approximately NOK 3.3 billion. This corresponds to an average tax cut of NOK 1,500, of which approximately NOK 200 comes from the reduction in Wealth Tax.

Among the group whose primary income source is from business activities, the average reduction amounts to approximately NOK 1,500, of which approximately NOK 500 is due to cuts in Wealth Tax. The total reduction in taxes for self-employed amounts to around NOK 150 million.

Pensioners¹ collectively receive a tax cut of approximately NOK 600 million. This corresponds to an average tax cut of about NOK 700, of which NOK 200 can be attributed to the reductions in Wealth Tax.

On average, those on social security benefits² receive a tax cut of approximately NOK 700, mainly as a result of lower income tax. The total tax relief for those receiving social security benefits amounts to approximately NOK 300 million.

1.5 Tax rates and upper limits

Table 1.5 shows tax rates, allowances and upper limits in 2021 and the government's proposal for 2022. After adjustment to take account of anticipated growth in wages, pensions or prices from 2021 to 2022, the general allowances and upper limits will be rounded off. The upward adjustment may therefore deviate somewhat from the level indicated by the various growth projections. Wage growth is estimated at 3.0 per cent, consumer price inflation at 1.3 per cent and growth in the ordinary old-age pension at 2.2 per cent.

¹ Defined as a person whose main income is from social security benefits and a pension, with the pension being greater than the social security benefits.

² Defined as a person whose main income is from social security benefits and a pension, with the social security benefits being greater than the pension. The term 'social security benefits' includes unemployment benefit, disability benefit, work assessment benefit, qualification benefit and transitional benefit.

Table 1.5 Tax rates, allowances and upper limits in 2021 and the proposal for 2022

	2021 rules	Proposal 2022	Change 2021–2022
<i>Tax on general income</i>			
Individuals ¹	22%	22%	-
Corporations ²	22%	22%	-
<i>Tax on resource rent industries</i>			
Petroleum (Special Tax)	56%	56%	-
Hydropower (Resource Rent Tax) ³	37%	47.4%	10.4 pp
<i>Bracket Tax</i>			
Bracket 1			
Threshold	NOK 184,800	NOK 190,350	3.0%
Rate.....	1.7%	1.4%	-0.3 pp
Bracket 2			
Threshold	NOK 260,100	NOK 267,900	3.0%
Rate.....	4.0%	3.8%	-0.2 pp
Bracket 3			
Threshold	NOK 651,250	NOK 670,800	3.0%
Rate ⁴	13.2%	13.2%	-
Bracket 4			
Threshold	NOK 1,021,550	NOK 1,052,200	3.0%
Rate.....	16.2%	16.2%	-

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
<i>National Insurance contributions</i>			
Lower limit for paying National Insurance contributions.....	NOK 59,650	NOK 61,450	3.0%
Escalation rate	25%	25%	-
Rate			
Earned income	8.2%	8.2%	-
Fishing, hunting and childcare ⁵	8.2%	8.2%	-
Other business income.....	11.4%	11.4%	-
Pension income, etc.	5.1%	5.1%	-
<i>Rate on gross income for foreign workers (withholding tax)</i>			
	25%	25%	-
<i>Employers' National Insurance contributions</i>			
Zone I.....	14.1%	14.1%	-
Zone Ia ⁶	14.1/10.6%	14.1/10.6%	-
Zone II	10.6%	10.6%	-
Zone III.....	6.4%	6.4%	-
Zone IV	5.1%	5.1%	-
Zone IVa	7.9%	7.9%	-
Zone V	0	0	-
<i>Maximum effective marginal tax rates</i>			
Earned income not incl. employers' National Insurance contributions	46.4%	46.4%	-

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
Earned income incl. employers' National Insurance contributions.....	53.0%	53.0%	-
Pension income ⁷	43.3%	43.3%	-
Business income ⁸	49.6%	49.6%	-
Dividends ⁸	46.7%	46.7%	-
<i>Personal allowance</i>	NOK 52,450	NOK 54,000	3.0%
<i>Minimum standard deduction from earned income, etc.</i> ⁹			
Rate.....	46%	48%	2 pp
Lower limit.....	NOK 31,800	NOK 31,800	-
Upper limit.....	NOK 106,750	NOK 109,950	3.0%
<i>Minimum standard deduction from pension income</i> ⁹			
Rate.....	37%	40%	3 pp
Lower limit.....	NOK 4,000	NOK 4,000	-
Upper limit.....	NOK 88,700	NOK 90,800	2.4%
<i>Job allowance for young people under 30 years</i>			
Maximum amount	-	NOK 23,500	new
De-escalation			
Threshold	-	NOK 300,000	new
Rate.....	-	10%	new

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
<i>Special allowance for single parents....</i>	NOK 51,804	NOK 52,476	1.3%
<i>Tax credit for pension income</i>			
Maximum amount.....	NOK 32,620	NOK 33,400	2.4%
De-escalation, bracket 1			
Threshold.....	NOK 206,050	NOK 210,950	2.4%
Rate.....	16.7%	16.7%	-
De-escalation, bracket 2			
Threshold.....	NOK 310,700	NOK 318,000	2.3%
Rate.....	6.0%	6.0%	-
<i>Tax limitation rule</i>			
De-escalation rate.....	55%	55%	-
Tax-free net income			
Single.....	NOK 147,450	NOK 147,450	-
Married.....	NOK 135,550	NOK 135,550	-
Wealth Supplement			
Rate.....	1.5%	1.5%	-
Single.....	NOK 200,000	NOK 200,000	-
Married.....	NOK 100,000	NOK 100,000	-
<i>Special allowance in Troms and Finnmark (Action Zone)</i>	NOK 15,500	NOK 15,500	-

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
<i>Seafarers' Allowance</i>			
Rate.....	30%	30%	-
Upper limit.....	NOK 80,000	NOK 80,000	-
<i>Fishermen's Allowance</i>			
Rate.....	30%	30%	-
Upper limit.....	NOK 150,000	NOK 150,000	-
<i>Special allowance relating to business income from agriculture, etc.</i>			
Standard deduction independent of income.....	NOK 90,000	NOK 90,000	-
Rate above standard deduction independent of income.....	38%	38%	-
Maximum total allowance.....	NOK 190,400	NOK 190,400	-
Maximum annual allowance for payments to individual pension schemes ¹⁰	NOK 40,000	NOK 40,000	-
<i>Relief for travel between home and work</i>			
Rate per km ¹¹	NOK 1.56/0.76	NOK 1.65	5.8/117.1%
Lower limit for deduction			
Centrality level 1–3.....	NOK 23,900	NOK 23,900	-
Centrality level 4–6.....	NOK 23,900	NOK 14,000	-41.4%

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
<i>Maximum allowance for donations to voluntary organisations.....</i>	NOK 50,000	NOK 50,000	-
<i>Maximum value of tax-free rebate for staff discounts.....</i>	NOK 8,000	NOK 8,000	-
<i>Maximum allowance for paid union fees, etc.</i>	NOK 3,850	NOK 3,850	-
<i>Young people's housing savings scheme for youth under 34 (BSU)</i>			
Tax deduction rate	20%	20%	-
Maximum annual saving	NOK 27,500	NOK 27,500	-
Maximum total savings under the scheme	NOK 300,000	NOK 300,000	-
<i>Parental Allowance for documented expenses for childminding and childcare</i>			
Upper limit			
One child.....	NOK 25,000	NOK 25,000	-
Supplement per additional child.....	NOK 15,000	NOK 25,000	66,7%
<i>Wealth Tax¹²</i>			
Municipal			
Threshold.....	NOK 1,500,000	NOK 1,600,000	6.7%
Rate	0.7%	0.7%	-

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
<i>Central government</i>			
Threshold	NOK 1,500,000	NOK 1,600,000	6.7%
Rate.....	0.15%	0.15%	-
<i>Valuation¹³</i>			
Primary dwelling.....	25%	25%	-
Primary dwelling with high valuation ¹⁴	25%	50%	25 pp
Secondary dwelling (and assigned debt)	90%	95%	5 pp
Shares and assets (incl. commercial property) and assigned debt.....	55%	50%	-5 pp
<i>Financial Activity Tax</i>			
Financial Activity Tax on wages	5%	5%	-
Financial Activity Tax on profits.....	3%	3%	-
<i>Depreciation rates</i>			
Asset group a (office machinery, etc.)	30%	30%	-
Asset group b (acquired business assets)	20%	20%	-
Asset group c (trains, lorries, buses, vans, etc.) ¹⁵	24 (30)%	24 (30)%	-
Asset group d (cars, machinery and equipment, etc.)	20%	20%	-
Asset group e (ships, vessels, rigs, etc.).....	14%	14%	-
Asset group f (aircraft, helicopters)	12%	12%	-

Table 1.5 (cont'd)

	2021 rules	Proposal 2022	Change 2021–2022
Asset group g (systems for transfer and distribution of electricity and technical equipment in power companies).....	5%	5%	-
Asset group h (buildings and facilities, hotels, etc.) ¹⁶	4 (6/10/20)%	4 (6/10/20)%	-
Asset group i (business premises)	2%	2%	-
Asset group j (technical installations in business premises and other commercial buildings)	10%	10%	-

- ¹ For taxpayers in the Action Zone in the county Troms og Finnmark, the rate is 18.5 per cent.
- ² The tax rate for general income for undertakings liable for Financial Activity Tax is 25 per cent in both 2021 and 2022.
- ³ The proposal does not entail any increase in marginal tax for hydropower stations. When resource rent-related corporate tax is deducted, the tax base for resource rent tax is reduced. It is therefore proposed that the Resource Rent Tax rate be technically adjusted upwards in order to continue the same effective marginal tax as at present, 59 per cent.
- ⁴ For taxpayers in the Action Zone in the county Troms og Finnmark, the rate is 11.2 per cent in bracket 3 in both 2021 and 2022.
- ⁵ Self-employed persons within fishing and hunting, as well as childcare in own home (children under the age of 12 or with special care needs) must pay National Insurance contributions at the rate of 8.2 per cent on business income. Lower rate for National Insurance contributions for fishing and hunting is linked to these industries paying product fee which, among other things, is intended to cover the difference between 8.2 per cent and 11.4 per cent National Insurance contributions.
- ⁶ In zone 1a, employer's National Insurance contributions must be paid at the rate of 10.6 per cent until the difference between what the undertaking pays in employer's National Insurance contributions at this rate, and what the undertaking would have paid in employer's National Insurance contributions at the rate of 14.1 per cent, equals the tax-free allowance. For the excess tax base, a rate of 14.1 per cent is used. In 2021 and 2022, the tax-free allowance is NOK 500,000 per undertaking. For freight transport by road in zone 1a, the tax-free allowance is NOK 250,000.
- ⁷ For persons who are covered by the tax allowance for pension income, the highest effective marginal tax rate will be up to 47.8 per cent in 2021 and 47.6 per cent in 2022.
- ⁸ Includes corporate tax and an upward adjustment factor for dividends, etc. In 2022, under the government's proposals, corporate tax will be 22 per cent and the upward adjustment factor for dividends etc. will be 1.44.
- ⁹ Taxpayers with both salary income, etc. and pension income will receive the minimum standard deduction from earned income or the sum of the minimum standard deduction from earned income and pension income, whichever is greater, with the following corrections: Lower limit for the minimum standard deduction from earned income is set as equal to the lower limit for the minimum standard deduction from pension income. The sum of minimum standard deductions shall not exceed the upper limit for the minimum standard deduction from wage income.
- ¹⁰ In connection with the Revised National Budget 2017, a new scheme for tax-favoured individual pension savings was introduced. The maximum deduction under this scheme is NOK 40,000. The old IPS scheme is being continued with a maximum deduction of NOK 15,000 (coordinated with contributions to the new scheme, so that the total deduction cannot exceed NOK 40,000) for those who are already saving in the scheme.

- ¹¹ A reduced rate of NOK 0.76 applies to annual travel distance in excess of 50,000 km. It is proposed that the reduced rate be abolished from 2022.
- ¹² The threshold values are for single taxpayers. For spouses whose taxes are assessed jointly for shared wealth, the threshold is twice that shown in the table.
- ¹³ The valuation applies to assets owned directly by taxpayers who are liable for Wealth Tax.
- ¹⁴ Higher valuation for primary dwellings applies to property values in excess of NOK 15 million.
- ¹⁵ The ordinary depreciation rate for asset group c is 24 per cent, with a higher rate of 30 per cent for vans which exclusively use electricity for propulsion.
- ¹⁶ Livestock buildings in the agricultural sector can be depreciated at a higher rate of 6 per cent. Buildings with such a simple construction that it must be assumed that their period of use will not exceed 20 years, can be depreciated at the rate of 10 per cent. The rate of 10 per cent also applies to facilities where the period of use must be assumed to not exceed 20 years. Costs for the establishment of fruit and berry fields can be depreciated as facilities at the rate of 10 and 20 per cent per year respectively.

Source: Ministry of Finance.

Table 1.6 shows the current rates for VAT and excise duties, as well as the proposed rates for 2022. All excise duties have generally been adjusted upwards by 1.3 per cent to take account of projected inflation. Minor deviations may be due to rounding of the rates.

Table 1.6 Tax rates in 2021 and proposed rates for 2022

Tax category	2021 rules	Proposal 2022	Change as a percentage
<i>Value added tax, per cent of sale price</i>			
Standard rate	25	25	-
Reduced rate.....	15	15	-
Low rate ¹	12	12	-
<i>Alcohol Duty</i>			
Spirits-based beverages containing over 0.7 volume per cent, NOK per volume per litre	8.11	8.22	1.4
Other alcoholic beverages containing from 4.7 to 22 per cent alcohol by volume, NOK per volume per cent per litre.....	4.76	4.82	1.3

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
Other alcoholic beverages containing up to and including 4.7 per cent alcohol by volume, NOK per volume per cent per litre			
0.0–0.7 volume per cent	-	-	-
0.7–2.7 volume per cent	3.27	3.31	1.2
2.7–3.7 volume per cent	12.28	12.44	1.3
3.7–4.7 volume per cent	21.27	21.55	1.3
Fermented alcoholic beverages containing from 3.7 up to and including 4.7 volume per cent produced by small breweries.....	variable	variable	-
<i>Duty on Tobacco Products, etc.</i>			
Cigars, NOK per 100 grams.....	277	295	6.5
Cigarettes, NOK per 100 pcs.	277	295	6.5
Smoking tobacco, NOK per 100 grams	277	295	6.5
Snuff, NOK per 100 grams	85	90	5.9
Chewing tobacco, NOK per 100 grams	113	120	6.2
Cigarette rolling paper, NOK per 100 units.....	4.24	4.51	6.4
E-liquids containing nicotine, NOK per 100 ml.....	450	479	6.4
Tobacco for heating, NOK per 100 grams.....	-	295	new
Other nicotine products, NOK per 100 grams.....	42.50	45.21	6.4
<i>One-off Registration Tax on Vehicles</i>			
Cars, etc. Tax group a ²			
Kerb weight, NOK per kg			
first 500	0	0	-

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
next 700 kg.....	26.81	27.15	1.3
next 200 kg.....	66.81	67.68	1.3
next 100 kg.....	208.78	211.49	1.3
remainder.....	242.81	245.97	1.3
NO _X emissions, NOK per mg/km.....	77.14	78.14	1.3
CO ₂ emissions, NOK per g/km			
first 87 g/km.....	0	0	-
next 31 g per km.....	801.00	1,095.40	36.8
next 37 g/km.....	897.60	1,227.52	36.8
next 70 g/km.....	2,352.10	2,382.68	1.3
remainder.....	3,752.05	3,800.83	1.3
allowance for emissions below 87 g/km, applies down to 50 g/km and only for vehicles with emissions of less than 87 g/km.....	820.70	831.37	1.3
allowance for emissions below 50 g/km, only applies to vehicles with emissions of less than 50 g/km.....	965.57	978.12	1.3
Class 2 vans. Tax group b			
kerb weight, per cent of rate for passenger cars	20	20	-
NO _X emissions, per cent of rate for passenger cars.....	75	75	-
CO ₂ emissions, NOK per g/km			
first 84 g/km.....	0	0	-
next 30 g/km.....	259.52	262.89	1.3
next 36 g/km.....	290.83	294.61	1.3
remainder.....	635.07	643.33	1.3

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
allowance for emissions below 84 g/km, applies down to 48 g/km and only for vehicles with emissions of less than 84 g/km.....	250.85	254.11	1.3
deduction for emissions below 48 g/km, only applies to vehicles with emissions of less than 48 g/km.....	295.14	298.98	1.3
Motorhomes. Tax group c ³			
per cent of rate for passenger cars	22	22	-
Tracked vehicles. Tax group e			
per cent of value tax base	36	36	-
Motorcycles. Tax group f ⁴			
Displacement tax, NOK per cm ³			
first 500 cm ³	0	0	-
next 400 cm ³	31.93	32.34	1.3
remainder	74.61	75.58	1.3
CO ₂ emissions, NOK per g/km			
first 75 g/km	0	0	-
next 60 g/km	710.41	719.65	1.3
remainder.....	960.58	973.07	1.3
Snowscooters. Tax group g			
Kerb weight, NOK per kg			
first 100 kg.....	15.00	15.19	1.3
next 100 kg.....	29.99	30.38	1.3
remainder.....	59.97	60.75	1.3
Engine power, NOK per kW			
first 20 kW	24.08	24.40	1.3

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
next 20 kW	48.19	48.82	1.3
remainder	96.35	97.60	1.3
<i>Displacement, NOK per cm³</i>			
first 500 cm ³	0	0	-
remainder	10.55	10.68	1.3
<i>Minibuses. Tax group j⁵</i>			
per cent of rate for passenger cars	40	40	-
<i>Road Traffic Insurance Tax, NOK per day⁶</i>			
Petrol and diesel cars with factory-fitted particle filter	8.40	8.25	-1.8
Diesel cars without factory-fitted particle filter	9.80	9.67	-1.3
Electric cars	5.85	8.25	41.0
Motorcycles	5.85	5.93	1.4
Tractors, mopeds, etc.	1.36	1.38	1.5
<i>Weight-based Motor Vehicle Tax, NOK per year....</i>	variable	variable	-
<i>Re-registration Tax</i>	variable	variable	-
<i>Road Use Duty on fuels</i>			
Petrol, NOK per litre ⁷	5.01	5.08	1.4
Mineral Oils, NOK per litre ⁸	3.58	3.65	2.0
Bioethanol, NOK per litre	2.45	2.48	1.2
Biodiesel, NOK per litre	3.66	3.65	-0.3

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
Natural gas, NOK per Sm ³	1.82	2.76	51.6
LPG, NOK per kg	4.27	5.05	18.3
<i>Electricity Tax, NOK 0.01 per kWh</i>			
Standard rate	16.69	15.41	-7.7
Reduced rate	0.546	0.546	-
<i>Base Tax on Mineral Oils, etc., NOK per litre</i>			
Mineral oils	1.74	1.76	1.1
Mineral oils in the pulp and paper industry, production of dyes and pigments	0.23	0.23	-
<i>Tax on Lubricant Oils, NOK per litre</i>			
	2.35	2.38	1.3
<i>CO₂ Tax on Mineral Products</i>			
Petrol, NOK per litre	1.37	1.78	29.9
Mineral oils, NOK per litre			
standard rate	1.58	2.05	29.8
domestic aviation subject to ETS	1.51	1.61	6.6
domestic aviation	1.51	1.96	29.8
Natural gas, NOK per Sm ³			
standard rate	1.17	1.52	29.9
subject to ETS	0.066	0.066	-
chemical reduction, etc.	0	0	-
greenhouse industry	-	0.30	new

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
<i>LPG, NOK per kg</i>			
standard rate.....	1.77	2.30	29.9
subject to ETS.....	0	0	-
chemical reduction, etc.	0	0	-
greenhouse industry.....	-	0.46	new
 <i>Waste Incineration Tax, NOK per tonne of CO₂...</i>	 -	 192	 new
 <i>Tax on HFCs and PFCs, NOK per tonne CO₂ equivalents.....</i>	 591	 766	 29.6
 <i>CO₂ Tax in the petroleum sector</i>			
mineral oils, NOK per litre.....	1.27	1.48	16.5
natural gas, NOK per Sm ³	1.27	1.48	16.5
natural gas discharged into the atmosphere, NOK per Sm ³	8.76	10.66	21.7
 <i>Sulphur Tax, NOK 0.01 per litre.....</i>	 14.02	 14.20	 1.3
 <i>Tax on Trichloroethene (TRI) and Tetrachloroethene (PER), NOK per kg.....</i>	 77.38	 78.39	 1.3
 <i>Tax on NO_x Emissions, NOK per kg.....</i>	 23.48	 23.79	 1.3
 <i>Tax on Fish Production, NOK per kg.....</i>	 0.40	 0.405	 1.3

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
<i>Tax on Wild Marine Resources</i> , per cent of sale price minus fees paid to fishermen's cooperative sales association ⁹	0.42	0.42	-
<i>Tax on Onshore Wind Power</i> , NOK 0.01 per kWh ¹⁰	-	1.00	new
<i>Duty on Chocolate and Sugar Products, etc.</i> , NOK per kg ¹¹	-	-	-
<i>Duty on Non-alcoholic Beverages</i> , NOK per litre ¹²			
Finished goods	-	-	-
Concentrate (syrup)	-	-	-
Juice and syrup based on fruits, berries or vegetables, without added sugar	-	-	-
Concentrate (syrup) based on fruits, berries or vegetables, without added sugar	-	-	-
<i>Duty on Sugar, etc.</i> , NOK per kg	8.49	8.60	1.3
<i>Tax on beverage containers</i> , NOK per unit			
Base Tax on Nonreturnable Containers	1.27	1.29	1.6
Environmental Tax			
glass and metal	6.20	6.28	1.3
plastic	3.75	3.80	1.3
cardboard and cartons	1.53	1.55	1.3

Table 1.6 (cont'd)

Tax category	2021 rules	Proposal 2022	Change as a percentage
<i>Air Passenger Duty</i> , NOK per passenger ¹³			
Low rate	-	80	new
High rate	-	214	new
<i>Horse Betting Duty</i> , per cent of gross turnover ¹⁴			
	-	-	-
<i>Stamp Duty</i> , per cent of sale price.....			
	2.5	2.5	-

- ¹ The low VAT rate was temporarily reduced from 12 to 6 per cent during the period 1 April 2020 to 30 September 2021 inclusive.
- ² Group a: Cars, class 1 vans and buses less than 6 metres in length with up to 17 seats. Displacement is used as the tax component in the case of vehicles whose CO₂ emissions are not stated.
- ³ Group c: Motorhomes. No NO_x component is levied.
- ⁴ Group f: Motorcycles. Vehicles for which CO₂ emissions are not registered are subject to a tax per unit and a tax on engine power output, in addition to displacement tax.
- ⁵ Group j: Buses less than 6 metres in length with up to 17 seats, where at least 10 are forward-facing. The highest step in the CO₂ component does not apply to group j. No NO_x component is levied.
- ⁶ The tax that an individual insurance policy triggers is determined on the basis of the tax rates that applied as of the start date of the policy. The 2020 rates apply to insurance policies that were taken out or had their main due date before 1 March 2021. The 2021 rates apply to insurance policies that were taken out or have their main due date between 1 March 2021 and 28 February 2022. The 2022 rates apply to insurance policies that were taken out or have their main due date after 1 March 2022.
- ⁷ Petrol with a sulphur content of less than 10 ppm.
- ⁸ Diesel with a sulphur content of less than 10 ppm.
- ⁹ The tax on wildlife marine resources was introduced with effect from 1 July 2021.
- ¹⁰ Proposed new tax from 2022. It is proposed that the tax be introduced from the date determined by the Ministry and that the revenues be booked in 2023.
- ¹¹ The Tax on Chocolate and Sugar Products, etc. was abolished from 1 January 2021.
- ¹² The Tax on Non-alcoholic Beverages was abolished from 1 July 2021.
- ¹² The tax was temporarily annulled during the period 1 January 2020 to 31 December 2021 inclusive.
- ¹⁴ The tax was temporarily annulled in 2020 and was not reintroduced in 2021. The tax will not be reintroduced in 2022.

Source: Ministry of Finance.

1.6 Distribution of public tax revenues

Table 1.7 presents a general overview of the main groups of taxes and shows the areas of the general government that receive revenues from each main group. Total tax revenues are estimated at NOK 1,525 billion in 2021. Of this amount, just over 83 per cent will accrue to central government, just under 14 per cent to the municipalities and just under 3 per cent to the county councils.

Most municipal and county council tax revenues originate from income tax and tax on net wealth paid by personal taxpayers. Approximately 34 per cent of central government tax revenues are derived from VAT, excise duty and customs duty. Approximately 31 per cent of central government tax revenues are derived from personal taxpayers, while just under 34 per cent comes from non-personal taxpayers and employer’s National Insurance contributions in Mainland Norway.

Table 1.7 Accrued taxes distributed according to tax creditors. Estimates for 2021. NOK billion

	Total	Central government	Municipal	County
<i>Personal taxpayers</i>	580.2	346.0	194.0	40.2
Tax on general income	326.6	105.5	180.9	40.2
Bracket Tax.....	77.3	77.3	-	-
National Insurance contributions	160.4	160.4	-	-
Wealth Tax.....	15.9	2.8	13.1	-
<i>Corporations (non-personal taxpayers) ...</i>	96.4	94.8	1.4	0.3
Income tax (including power stations)	96.0	94.4	1.4	0.3
Wealth Tax.....	0.4	0.4	-	-

Table 1.7 (cont'd)

	Total	Central government	Municipal	County
<i>Financial Activity Tax</i>	5.7	5.7	-	-
Tax on wages.....	2.6	2.6	-	-
Tax on profits	3.1	3.1	-	-
<i>Property Tax</i>	14.9	-	14.9	-
<i>Employers' National Insurance contributions</i>	216.4	216.4	-	-
<i>Indirect taxes</i>	437.6	437.6	-	-
VAT.....	334.8	334.8	-	-
Excise and customs duties.....	102.7	102.7	-	-
<i>Petroleum</i>	119.5	119.5	-	-
Tax on income.....	113.6	113.6	-	-
Tax on extraction, etc.	5.9	5.9	-	-
<i>Other taxes</i>	54.3	51.5	2.3	0.5
National Insurance and pension premiums, other central government and National Insurance accounts, etc. ¹ ...	36.7	33.9	2.3	0.5
Tax on dividends to foreign shareholders.....	3.7	3.7	-	-
Other taxes ²	13.9	13.9	0.0	-
<i>Total taxes</i>	1,525.0	1,271.5	212.6	40.9

¹ Norwegian Public Service Pension Fund, among others.

² Including some income items that are grouped as tax revenues in the national accounts, but which are not recognised tax revenues in the National Budget.

Source: Ministry of Finance.

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