



Magazine for entrepreneurs in Norway

Omega Norwegian Solutions

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Dear Readers,

The end of the year is always marked by upcoming changes, as many of us wonder what does the Norwegian government have in store for us in 2017. The autumn edition of our magazine will present and guide all of you through changes in regards to VAT declaration, tax rates and sick leaves.

“We provide all the necessary knowledge”, this is our motto, therefore in this magazine You will also, as always, find a lot of practical advice. Here, we explain how to enter into contracts in Norway and how to proceed when one of the contract’s parties is a consortium. In this issue You’ll also find the long awaited second part of the article about when an employer can make deductions from the employee’s salary or holiday

pay, while John Lyder’s article will guide you through cross-cultural differences between Poles and Norwegians, and explain how to do business with them.

The sole purpose of this magazine is to inspire and to provide useful information on life and business in Norway. I truly hope that this edition and all the next ones will keep on meeting that goal so look forward to it!



Aleksandra F. Eriksen
Chairman of the Board
Omega Accounting AS & Polish Connection

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Cross-cultural differences - how to do business with a Norwegian entrepreneur

Conducting business in a foreign country is always a challenge for any organization. Just having a colleague of other nationality can sometimes be a challenge, even though you both work in the same company and in the same country. You can never imagine what sorts of problems can arise when you try to partner up or sell products and services to people in a foreign company. Knowing some secrets about Norwegians can make it much easier for you!

Cross-cultural differences often refer to how members with different cultural backgrounds interact within a group. There are several aspects which are interesting for business leaders to take into consideration. I divide these aspects in to soft and hard aspects. Examples of soft aspects are e.g. language, culture, religion, national identity etc. When referring to hard aspects I mean those which are linked to a way of operating business, business culture, organisational culture, market values and ethics, legal aspects etc.

Language is always a challenge. How do you communicate with someone speaking another language? You use your mother language every day to express feelings, our point of view, satisfaction, dissatisfaction etc. This can be done by using specific words, tonality, body language etc. When communicating with a potential client in a foreign country, speaking e.g. English, you lose many of your abilities to express shades or varieties of your opinion or feelings. This can have catastrophic effects in certain situations. You can lose a deal, simply because your communication is unclear or even perceived as rude. Good intention isn't always enough. In Norway you will find that most of the population under 55, do speak English. Some speak German and some French or Spanish. To be on

the safe side, ensure that you have people on your team that speak English. Then you are guaranteed to be able to communicate with partners and clients.

Cross-cultural differences also have many implications when it comes to hire people or create cross-cultural teams. I have had employees working in six different countries. And believe me, that it created many challenging situations. All of them were solvable with just simple means, but unsolved they could have created a lot of tension in the organisation and reduced productivity.

The ability to identify opportunities and difficulties, in communication with your partners or clients, is vital. Huge opportunities can pass by if you are not able to identify opportunities in the communication with your clients. Many things are said between the lines. It can be tough to even understand your colleague or wife, when they send "clear" messages between the lines. What about a client in a meeting where everyone tries to speak English? How many opportunities are lost in such meetings? The flipside of opportunities are difficulties. You may leave a meeting with an important client, and believe that everything is fine. You simply missed all hints and vague expressions from the client that they are not 100%

satisfied with your product or service. How can you be able to deliver first class products and services, if you are not able to identify potential problems in an early stage?

Prof. Geert Hofstede - The 6-D Model®

Professor Geert Hofstede is a Dutch researcher that has developed a six dimension (6-D) cultural model, to analyse different countries and compare them against each other. The six cultural aspects are:

1. Power Distance
2. Individualism
3. Masculinity
4. Uncertainty Avoidance
5. Long Term Orientation
6. Indulgence

He interviews people in many countries and makes an index based on their answers, ranged from 1 – 100.

The 6-D Model® - Norway vs. Poland

If we better understand how the cultural aspects are in Norway compared to Poland, we enable ourselves to better communicate and understand our business partners in Norway. This can give us the leverage we need in order to stand out and become the selected partner.

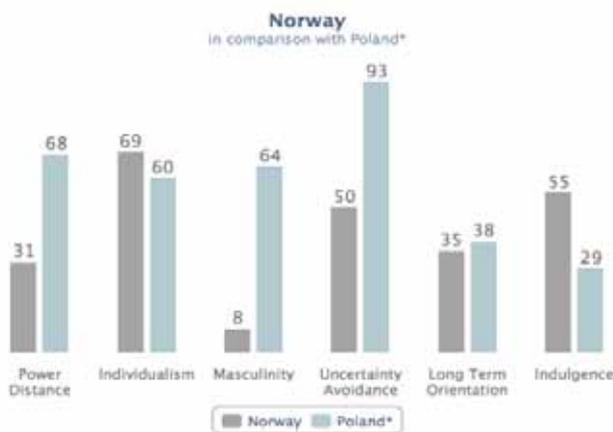


Figure 1: Geert Hofstede 6-D Cultural Model - Norway/Poland

1. Power Distance

Prof. Hofstede defines Power Distance as “the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally”.

Norway scores quite low on this matter (31, Poland 68). This means that the general mentality in the population is that power should be distributed evenly and all people should have equal rights. In business

terms this means that there is a strong focus on team achievements, and not so much in individual performance. This also means that employees expect to be consulted on important matters in the company, and that the managers are counting on their employees’ skills and experiences.

Tip: Even though you are not having a meeting with the General Manager or the CEO in a Norwegian company, the employee which can be seen as a “low level” employee with Polish eyes – can have a lot of power in securing business with you. Do not underestimate his/her power in the organisation. Present your case and treat the employee with respect. A warm recommendation from an employee to the General Manager, can mean a short way to a successful business relationship with the company!

2. Individualism

Individualism is defined as “the degree of interdependence a society maintains among its members”. Norway scores 69 and Poland 60. This means that Norway is considered as an individualist society. There is a strong focus on individual power, personal opinions and clear lines between work and private life.

Tip: Be open to receive feedback from people on all level in the partners/customers’ organisation. Do not communicate above employees with the intention to only evaluate feedback that is communicated by Managers.

3. Masculinity

Masculinity is defined as a winning culture. This means that the society is driven by “competition, achievement and success, with success being defined by the winner / best in field”. Feminine is on the contrary is defined as “caring for others and quality of life”. Norway scores only 8 on this scale, while Poland scores 64. This means that the mentality of the partners and clients you will meet, most likely will be to achieve a consensus in discussions, caring for the environment, don’t stand out but be a part of the team etc. Being an individualist is not supported or rewarded.

Tip: Money does not mean everything for a Norwegian. Increased quality of life and more flexibility in life, can be winning attributes of a product – instead of always looking at the price.

4. Uncertainty Avoidance

The Uncertainty Avoidance is defined as “the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have cre-

ated beliefs and institutions that try to avoid these". The future can never be known and societies that scores high on this dimension, tends to prefer rigid systems and defined rules in order to try to "control" the future. A low score means that you have more like a "happy go lucky" attitude to the future.

Norway scores 50 on this dimension, and thus does not have any preference. Poland scores on the other hand 93, and prefer stable structures and rules in order to limit or avoid uncertainty. Innovations in such cultures can be difficult, since this most likely will have to change existing procedures or rules – which ultimately can cause uncertainty about the future.

Tip: Norwegians are open to new ways of doing things and to test out e.g. new technologies. It can be a perfect market to very quickly receive feedback on how the new technology work and how people perceive the product or service.

5. Long Term Orientation

Long Term Orientation describes "how every society has to maintain some links with its own past while dealing with the challenges of the present and future". Scoring low means that you are a normative society and that you honour traditions and like to stick to the existing. Norway scores 35 which means we live in a society where culture traditions are strong and fundamental changes are looked upon with scepticism.

Tip: Use Internet to read and learn about some basic culture traditions which is very strong in Norway. It will give you a better understanding of the country and some great topics to converse about before meetings.

6. Indulgence

This is a difficult and to certain extent a complex dimension. At the core it is about "the extent to which people try to control their desires and impulses". Raising children and make them human by socialising them, is extremely important. Based on culture and traditions children can learn to control their desires and impulses, and this is called restraint behaviour. On the other hand, children can learn to have weak impulse control and this is called "indulgence".

Norway scores 55 on this scale, which means that they can neither be characterised as people with strong impulse control (restraint) nor claim to have weak impulse control (indulgence).

Tip: Norwegians can be described as well controlled and behaved in meetings. They like to be on top of the case, have all information at their hand and act with

professionalism. On the other hand, if you are having a dinner with Norwegians where alcohol is served, you may experience a completely new side. They will more likely express their true views, and speak more openly. This can be a great opportunity to bond and to come closer with your partners or clients. Playing your cards correctly, you can seal a deal with a successful dinner.

Now you have some background information about Norway, seen from six different cultural perspectives. Learning more about these perspective and to truly reflect upon them, can make is easier for you to conduct business in Norway. The business culture is generally characterised by having a flat organisational structure, with distributed power and short distance from the floor to top management. Business communication is very often informal and friendly, as long as you deliver and contribute. Not being a part of the team and help out when there are challenges to solve, is considered as being disloyal and you may feel the consequences later.

In Prof. Geert Hofstede 6-D Model, Norwegian business culture is described as Feminine. This means that we put values like "caring for others and quality of life", very high. This means that it is often difficult to schedule meetings in the evening or weekends. Conducting meetings from mid-July to mid-August, can prove be almost impossible. We are on holiday and enjoying our time with our families. Also forget to conduct meetings between Christmas and New Year Eve. We simply do not have time for a meeting in this period.

I hope you are not scared after reading this, but more informed and knowledgeable about the topic. If you come to Norway to conduct business, I feel certain that you will find a lot of similarities between Norwegians and Polish people. After end of the day we are just humans and want to live a good and interesting life. Come join us! Let's do some interesting business together!

The author:

Mr. Lyder has extensive experience from various management positions in international companies like DIGITAL, Compaq, GE Capital, and Biorigin. His primary focus has been on Business Development, either as process improvements, product development or cost optimisation.

Mr. Lyder works as General Manager in BPO Consulting. He brings extensive practical knowledge on business operations, dedication to optimise and improve key business processes and passion for meeting or exceeding the goals and expectations for the clients' performance.



Entering into contracts and agreements in Norway

Before entering a foreign market you should research the laws and business customs, which govern running a company in the country of your choice.

In this article we aim to provide basic information about contract and agreement laws and customs in Norway.

Formal requirements when entering into contract

There are no formal requirements regulating how to enter into legally binding contracts. Oral contracts are as binding as written ones. Moreover, an offer accepted by the client is as binding as a contract signed by both parties. It is also possible to enter a binding contract just by acting as if you abide by it, rather than signing it. For instance, two parties have not formally agreed to alter a contract, but they behave as if some changes have been introduced into the document.

Such customs and laws can seem strange, and that's why I am aiming to briefly explain what is required to discern a legally binding contract according to Norwegian law.

Entering into contract without authorization or power of attorney

If two companies are to enter into a legally binding contract, they should be represented by a person, who is either authorized to do so by virtue of position they hold in the company or by virtue of being assigned to perform these duties. In this case, conflicts might stem from difficulty of deciding what range of responsibilities is granted by a position in the company.

By virtue of their position, a project manager or a marketer will be seen as a person who is authorized to enter into legally binding contracts and to commit the company to fulfill certain obligations as a part of regular running of the enterprise. In such case their

signature or oath shall bind the company, even if that person has overstepped their authority. In order for the contract to be legally binding, even if the signee has, in fact, acted beyond their authority, their position on the company should allow the other party of the contract to believe that this person was indeed authorized to enter into a contract. In such a case, a company is legally bound to fulfill such a contract and the fact that the employee entered into a contract despite lack of authority to do so is a matter to be taken up between the employee and the employer and it does not concern the other party of the contract. If the employer would like to avoid fulfilling such a contract, they would have to prove that the other party was informed about the scope of the authorization of the company's representative.

There has been a recent ruling of a Supreme Court, which has interpreted this law very broadly. It was a case of an electrician, who has presented an estimation of the costs of works remaining to be done at a major construction site. His words cost his employer a lot of money.

An accepted offer is legally binding

It is a common practice, especially in construction trades, for the contractor to present an offer to do a certain work and if the client accepts it, it is enough for them to enter into a legally binding agreement, without the need to sign any sort of contract.

While in case of major projects a written contract is customary, it is not required. The client has a full right to decline signing a contract if it contains any additional aspects of the project such as resolutions concerning invoicing, receipt, or bank guaran-

tees securing the contract. If the resolutions were not included in the offer, which has been previously accepted by the client, the contractor can not demand them to be accepted at a later time.

That's why it is essential for the contractor or vendor to state the contract's resolutions as soon as they make their offer.

It is often the case that the contractors use standardized offer forms, which include contract resolutions and contractor's stipulations. For instance, a standardized form might contain the following statement: 'The offer is based on NS 8406 standard and our regular terms of service'. Such additional provisions might have been rejected by the client, if the contractor failed to mention it in the offer.

Even if the client accepted the offer, but he has added his own provisions into it (for instance, stating that the contractor should offer an additional service, or provide a discount) it means that the offer has been rejected. The contractor is free from the obligations to fulfill their previous offer.

Oral contracts

In Norway oral contracts have the same legal power as written contracts, even though we need to remember that the content of an oral contract is much more difficult to prove. For instance, if there are two points of view on what has been agreed upon – if the payment must be made in advance or after the project is completed – you would have to prove what has been agreed upon. Similar case occurs when the contractor claims that they tried to dissuade the client from using a certain solution or method and it later occurs that the solution did more harm than good. It might happen that the client would fail to recollect the contractor's suggestions. In some cases the parties call for witness statements in order to prove their point.

If the versions of the oral agreement presented by both sides both seem probable, it is the party which makes any sort of claims that is likely to lose any argument. In Norway it falls to the party claiming to have the right to prove this fact. It is often said that it is not enough to be right – you have to prove it first!

Contacts made by engaging in action

There is nothing to prevent the parties from entering into legally binding contract just by acting according to it, without the need to sign any form of document. The most common example of such a contract is found

in construction business, when the contract between the parties stipulates that performing any additional work on site will be paid for only of the work has been 'ordered in writing'. The fact is, however, that a lot of additional work on building sites is ordered orally. So, if the work has been ordered orally, it has been duly performed, invoiced and paid for and, if the situation occurs five or six times we can see that both sides behave as if a new contract has been signed.

If the client decides to disagree with the contractor on the 7th time the situation occurs and would mention the provisions of the contract stating that any additional work has to be ordered in writing they will most probably lose in court. The court would decide that since the both parties systematically and repeatedly proceeded with oral orders and consequent payments despite provisions made in the contract and it would mean that the spoken order would be as legally binding as written one.

Contracts composed according Norwegian Standard Model (Norsk Standard)

If both sides entered into contract or an offer made according to the Norwegian Standard Model (Norsk Standard/ NS –kontrakter,) the rules applying to this agreement would be different from the regular Norwegian contract law. According to the regular Norwegian contract law silence or lack of reply of one of the parties is not seen as assent. The situation is completely different if the parties decide that the contract should be based on the standard model (NS 8406; NS 8406; NS 8407). According to Norwegian Standard Model, the contracts are issued by one party, while the other is passive. For instance, if the contractor requires an additional payment and has set a reasonable deadline (usually a week's notice) and the client failed to respond in time, it is assumed that the parties have entered into contract and that the contractor has the right to receive the additional payment.

Contracts with consumers

If you enter into a contract with a natural person (consumer) regulations will be different than the ones described above. In case of contracts with consumers the biggest bone of contention is the appraisal and pricing. Often, a consumer might ask one of the employees of the contractor to appraise the work to be done, and this sum will in the end be binding for the contractor, despite the fact that the employee in question was not authorized to appraise the project.

When can an employer make deductions from an employee's salary or holiday pay? Part II

e) Where the employee is liable for damages towards the employer based on a court decision or ruling or as a consequence of unlawful termination of the employment contract by the employee.

Employers often use specific provisions in the contract in order to be able to pursue claims against an employee, and may make relevant deductions under subsection e) of the Act.

In some cases, an employer may be entitled to satisfy his claims against an employee, even if this has not been agreed in the contract or included in relevant provisions, by withholding a portion of the employee's salary or holiday pay; however, this usually requires bringing an action to court.

Example 11

Artur stole information on a new product from the company, and sold it to the competition. Despite the fact that Artur's contract did not include any provisions imposing sanctions for violating the obligation to maintain loyalty, and that he refused to sign a declaration to assume liability for damages, it was clear that he had been disloyal, and stole from his employer. The employer filed an action against Artur, and won. The court ordered Artur to pay NOK 500,000 in damages to the employer to compensate for the losses incurred by the company in connection with the stolen information.

If the employer decides not to dismiss Artur despite his disloyal behaviour, the compensation may be deducted from his salary and holiday pay until the entire amount ordered by the court has been repaid.

LAWFUL

If the employer decides to dismiss Artur, a portion of the compensation ordered by the court can be deducted by the employer from his last salary and holiday pay, and the remaining amount will either be paid by Artur himself or collected by an enforcement officer (namsmannen) on behalf of the (now former) employer.

Example 12

At her current job, Sylwia earns NOK 30,000 per month gross, and the notice period is 1 month. Sylwia has found a better job, and the new employer wants her to start immediately. The current employer has no immediate replacement for Sylwia, and does not

agree to terminate the contract by mutual consent (without any notice period). All in all, Sylwia hands in her notice, and leaves the company after one week instead of one month (the notice period). Since she quit the job, the employer deducts an amount equivalent to three weeks' pay from Sylwia's last salary and refuses to pay her holiday allowance to cover the losses incurred by the company in connection with her quitting.

LAWFUL

f) If, due to the payroll calculation and payment processes in place at the company, the salary could not be calculated correctly prior to the payday (e.g. as a result of downtime, temporary closure of the facility, etc.).

This is rather similar to the case described in example 4 (salary miscalculation) but does not require the employer to make a separate agreement with the employee or include special provisions in the contract to obtain the employee's consent for deductions.

Example 13

ABC pays wages at the end of the month, and they are usually calculated during the third week of the month. At the beginning of the fourth week of the month, one of ABC's staff members, Karol, reported to work under the influence of drugs, and caused an accident at the workplace. He was dismissed with immediate effect (without notice period or the right to salary for this period). At the end of the month, Karol received his full salary because it had already been calculated and approved. In the next month, when a final settlement was made, the company deducted an amount equivalent to four days' pay from Karol's holiday allowance.

LAWFUL

Additional regulations

Even if a deduction made by the employer is legitimate, i.e. meets the criteria described above, the employer does not always have the right to withhold as much money as he would want to at once. The employer must also provide the employee (and a trade union representative if the employee is a union member) with relevant information regarding the basis for the deduction and the amount deducted.

These regulations are defined in sections 3, 4 and 5 of § 14-15 of the Working Environment Act.

As stipulated in section 3, any deductions from salary or holiday pay made under subsections c, e or f of the Act may not be excessively high to prevent the employee from paying basic living costs (accommodation, food, etc.).

Example 14

Let's go back to the situation described in example 11 where Artur was ordered by the court to pay NOK 500,00 in damages to his employer. Let's assume that his monthly salary is NOK 50,000 gross. His net income after taxes is NOK 33,000. Even if the employer wanted to recover the debt as soon as possible, he could not deduct NOK 33,000 from Artur's salary. He has to take into account the fact that Artur needs to pay his rent (e.g. NOK 10,000 per month), eat (theoretically, NOK 200 per day should be enough if he buys food in supermarkets and cooks at home), and pay for gas to commute to work (let's assume that he doesn't live far away from his workplace, and spends some NOK 1,000 on gas per month). We should probably leave Artur some money for unexpected expenses (medical appointments, etc.), but let's assume that he has some savings (after all, he received a fat cheque from the employer's competitor), and will be fine. Nevertheless, even if the employer is a rather uncompromising one, he may not deduct more than approximately NOK 16,000 from Artur's salary per month.

As provided for in section 4, the basis for deductions made under item e) and the amount deducted should be discussed with the employee and a trade union representative where necessary, unless the employee does not wish to involve a union representative.

Section 5, on the other hand, stipulates that at the time the salary is paid or immediately after the employee must be notified in writing of how the salary or holiday pay were calculated and what deductions were made. (A pay slip usually meets these requirements, provided that it is correct).

What to do when your employer makes an unlawful deduction: tips for employees

Some employers may try to make deductions by referring to one of the items listed in the Act, even when there are no factual grounds for it. If you disagree with your employer and find that the deduction is unlawful, proceed the same way you would with any other wage-related claim, i.e.:

- submit a request to the employer for payment of the missing amount of your salary (that was unlawfully deducted by the employer);
- if the employer fails to make the payment within the pre-defined time limit (typically a 14-day time limit is used in payment requests but it's not a set-in-stone rule), you should file a petition with the Conciliation Council (*Forlikrådet*) or a court of

first-instance (*Tingrett*) if the amount of your claim exceeds NOK 125,000, and if you have sought professional legal advice.

If the case is complicated, e.g. the dispute between you and your employer involves liability for material damage (e.g. the employer claims that the damage was intentionally caused or resulted from your negligence, while you claim that it was an accident), or the discounted amount is very high, etc., you should seek professional legal advice.

Tips for employers

- You should include provisions in the employment contract that will allow you to make deductions to recover miscalculated wages, and entitle you to damages if your employee intentionally harms the company (e.g. by destroying his working tools), is disloyal (violation of trade secret or non-compete clauses, etc.)
- If you send your staff to training courses, particularly expensive ones, you should enter into a loyalty agreement with the employee which stipulates that the employee has to work for you for a certain time after completing the course, and if this obligation is violated, the employee will be required to pay back the cost of the training course and any other costs paid by the company in connection with it (e.g. an amount equivalent to the salary for the time spent on the training course).
- If the company provides accommodation to the employee and the rent is to be deducted from the employee's salary, a relevant clause has to be included in the employment contract or a separate tenancy agreement should be made with the employee.
- If certain expenses are to be deducted from the employee's salary (e.g. costs of airline tickets purchased by the company), a relevant clause has to be included in the employment contract or an addendum to the employment contract should be signed.

Generally, all arrangements regarding deductions from the employee's pay should be made in writing. This will ensure that both parties know what has been agreed and the employee will (usually*) have no grounds to question the legitimacy of such deductions.

*it may happen, though, that some of the clauses and sanctions stipulated in the agreement (especially non-compete clauses as well as clauses relating to the employee's material liability to a certain extent) will be questioned in court. If a sanction provided for in the agreement is disproportionate to the damage incurred by the employer, the court may find it excessive. Therefore, it's important to make sure that all such clauses are reasonable.

Source:

www.lovdatab.no/dokument/NL/lov/2005-06-17-62

Changes in VAT declaration applying from 01.01.2017

A new version of the value added tax declaration will be introduced from the 1st of January 2017. The new VAT declaration (mva-meldingen) is replacing the current form (omsetningsoppgave for merverdiavgift).

Enterprises should upgrade their systems, accounts and VAT codes to new versions before commencing the accounting for 2017.

The deadlines for submission and payment will remain unchanged.

VAT on purchases from abroad

You are obliged to calculate and pay import VAT on all goods imports from abroad, including individual purchases. From 2017, you must report import VAT on goods in the VAT declaration instead of in the customs declaration. You will no longer receive VAT invoices from your shipping agent or the Customs authorities. Currently the VAT is included in the customs declaration and paid upon importing.

A shipping agent will often arrange this at the customs office on your behalf. Enterprises with ongoing imports often have their own customs credit arrangements.

From 2017, import VAT and the basis for the tax will no longer be declared in customs declarations. The enterprise must calculate the basis for the tax and the tax itself based on information in the customs declaration, etc.

The following remains unchanged:

All goods must still be declared to Norwegian Customs, and customs and excise duty must be paid upon declaration as at present.

For enterprises not registered for VAT, and private individuals, the VAT will still be included in the customs declaration and paid upon importing as so far.

Preparations in 2016

- ✓ Your accounting system, accounts and VAT codes must be updated and compatible with the VAT declaration before 1 January 2017. This is necessary in order to extract figures specified according to the 19 items in the new VAT declaration. Check with your system supplier or accountant how you should carry out the necessary updates. This applies even if you do not import anything.
- ✓ Get familiar with rules and regulations concerning VAT on import. The enterprise is responsible for calculating, reporting and paying VAT on import. Get to know how to determine the basis for calculating VAT on import, including customs values.
- ✓ Go through agreements and routines internally with your accountant and shipping agents.

More:

www.skatteetaten.no/mva-melding

www.toll.no/no/verktoy/regelverk/nytt-fra-direktoratet/tolldeklarasjonsoversikt-i-altinn/



Tax rates proposed in year 2017

Table published on Regjeringen.no shows tax rates, deductions and limits in 2016 and the government's proposals for 2017.

Some of the issues:

- ✓ Tax rate on ordinary income will be reduced from 25 % to 24 % for both companies and individuals
- ✓ For taxpayers in Nord-Troms and Finnmark the tax rate will be cut from 21.5 % to 20.5 %.
- ✓ There will be no changes in rates of social security contributions paid by the employer (arbeidsgiveravgift) in year 2017
- ✓ Lower limit for paying national insurance contributions (Trygdeavgift) will increase from 49 650 NOK up to 54 650 NOK
- ✓ Lower limit for deduction of travel expenses between home and work will remain unchanged (22 000 NOK) while the rate per kilometer will increase from 1,50/0,70 NOK to 1,56/0,76 NOK

The estimated increase in pensions, wages and prices in relation to year 2016 after taking in to account the inflation will amount respectively to:

- 2,7% in wages
- 2% in prices
- 1,9% in pensions amount

New Tax Administration Act (skatteforvaltningslov) that will apply from 01st of January 2017

New Tax Administration Act shall enter into force from 1st January 2017. This Act will replace the current one and will pose a set of all administrative regulations on taxation and fee areas. The main objective of the new law is to modernize, coordinate and simplify the regulations. New Tax Administration should contribute to strengthening the tax duty.

Skatteforvaltningslov is in a large extent a continuation of existing rules and practices, but involves also some changes in tax and obligations to provide information. This Act includes new policy of determining income and wealth tax.

The most important changes:

- ✓ Introduction of a new permanent model for determining income and wealth tax
- ✓ Replacement of selvangivelse and likning with fastsetting or skattemelding.
- ✓ Taxpayers will be allowed to change their tax settlement / declaration within three years.
- ✓ The authorities will have a general entitlement to change incorrect tax settlements within five years.
- ✓ New law introduces partly new rules on administrative sanctions (Fines, underpaid taxes and penalties for violating tax rules and regulations).
- ✓ Changes in deadlines and extension of right to appeal in certain areas.

More:

www.regjeringen.no/no/tema/okonomi-og-budsjett/skatter-og-avgifter/skattesatser-2017/id2514837/

www.sticos.no/portal//Nyheter/TabId/91/ArtMID/483/ArticleID/457/Statsbudsjettet-2017.aspx

www.skatteetaten.no/skatteforvaltningsloven

Follobanen – the biggest project in Norway

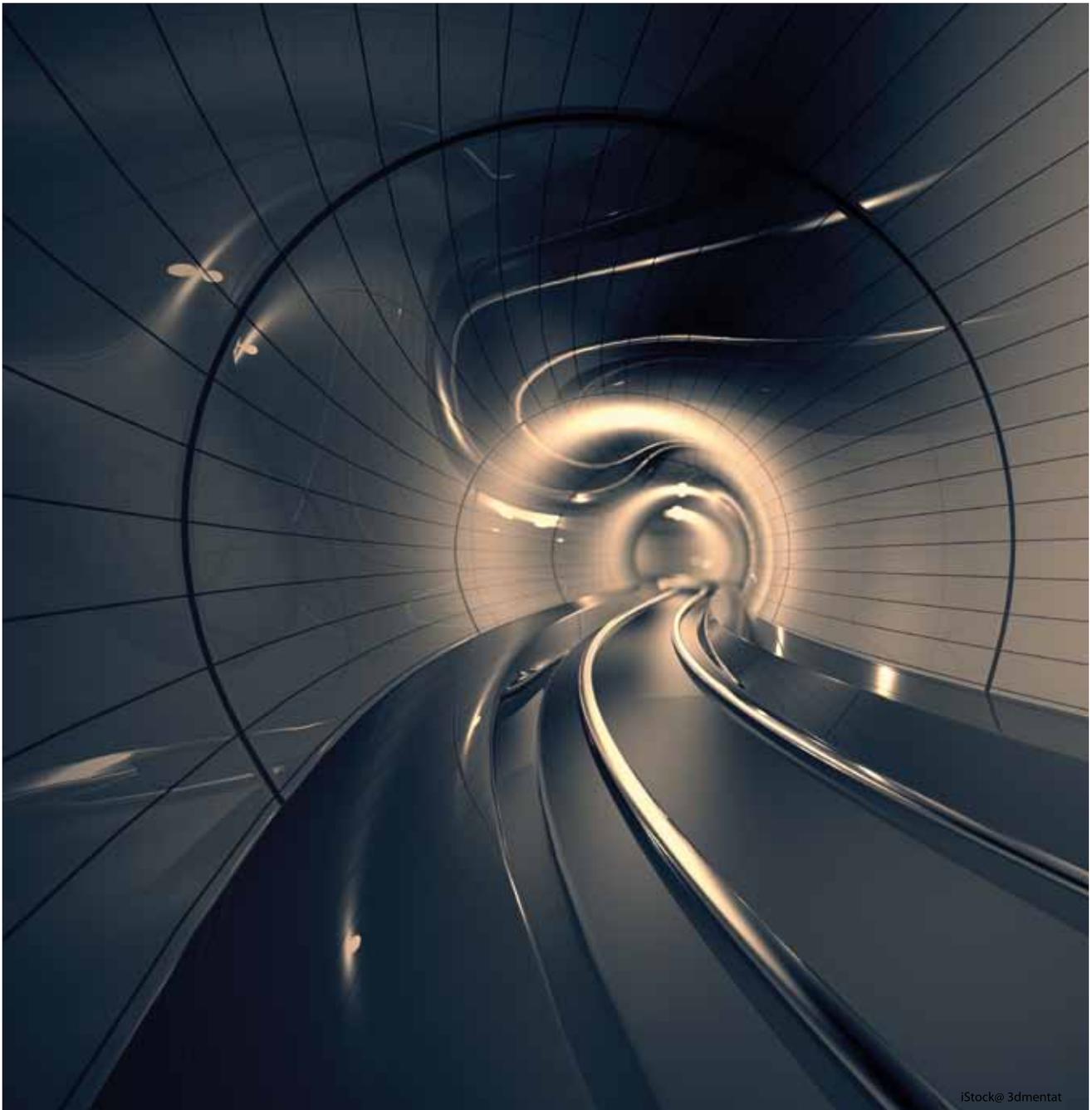
Since 2013 there has been implemented the biggest transport project in Norway – Follobanen - (the total cost of the project implementation is estimated at approximately 25 billion NOK). The main objectives of the project are development of rail infrastructure to the south of Oslo, providing increase of throughput to and from Oslo, as well as reduction of travel time between Oslo and Ski by half.

Contrary to the social expectations, the tender for implementation of the main stage of the project (implementation process started in 2015) was won by foreign contractors. And in spite of the assumptions that most of the work related to Follobanen will be executed by Norwegian contractors, the settlement of the tender in favour of foreign companies has caused quite a stir and large discontent among Norwegian companies. Especially because both Norwegian entrepreneurs and politicians, in the face of the ongoing economic crisis on the Norwegian market, have had high hopes for providing jobs connected with that tender. At the same time it is worth noting that the Norwegian company Skanska has filed a suit with the court for infringement of the public procurement rules and claimed compensation from the State in the amount of more than 300 million NOK. Hearing in this case is going to be held in January 2017. Jernbaneverket (JBV), the project owner, argues that the key factors in the choice of contractor of the main stage, which consists in tunnelling of two railway tunnels that are approximately 19 km long each, were the technology and technical solutions that enable execution of work without vertical wells. Tunnelling will be executed using TBM machines which are designed to perform in extremely difficult geological conditions. These tunnels will be among the first in

Norway and at the same time the longest tunnels in Scandinavia built using this technology.

Entering the Norwegian market and especially implementation of such a prestigious and large project is a great opportunity for the foreign contractors, but also a great challenge. Companies must face both the rules and procedures applicable to the Norwegian labour market and construction sites, that are unknown to them and often assessed by them as complicated and unclear. They also have to tackle the still functioning in Norway perception of foreign companies as unreliable partners that use dumping policy, operate in a way that is not compliant with Norwegian regulations. For this reason many foreign contractors encounter problems in establishing cooperation with Norwegian subcontractors and employees coming from Norway. JBV carries out regular internal audits on construction sites, and recently the project has also been subjected to external audit which revealed a number of violations, among other things in terms of working hours, required rest periods, minimum wage and overtime. As the result of the audits, the contractors were called to implement recovery plans.

JBV identifies compliance with pay and working conditions as one of the main risks of the timely



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implementation of the project and therefore it places particular emphasis on that all contractors involved in the project complied with the rules regarding pay and working conditions. For this purpose there were introduced periodical trainings, in collaboration with KPMG, for contractors and for bidders before submitting a tender, including the review and clarification of legal issues, which will then be contained in the agreements and are related to the construction requirements as well as those regarding payment and personnel .

In order to reduce the risk, JBV has also signed an agreement with the national trade union centre, in Norwegian: Landsorganisasjon i Norge (LO), under which JBV employed a coordinator appointed by the

trade unions, who is responsible for monitoring of compliance with Norwegian regulations within the project implementation and contact with employees.

Compliance with payment and working conditions, especially in a time of crisis, constitutes a particular challenge for the construction industry. Norway is a country which places a special emphasis on guarantee and respect for workers' rights. Such controls in this area have to be taken into account particularly in case of large contracts implementation. Moreover, it is worth becoming familiar the legal and organisational intricacies that are applicable in Norway even prior to conclusion of the agreements regarding project implementation.

Consortium as a contractor or a subcontractor

Consortium is a group of companies, which enter into a tender together and then divide the work, responsibilities and profits from the deal. It has become a very popular way of doing business in Poland in the recent years. In Norway, consortiums are considerably less popular, but it is possible to organize your work in this way. This article aims to discuss the work of consortiums on Norwegian market.

Consortium – what's it all about?

Let's begin with the fact that the world consortium, despite that fact that it exists in the Norwegian lexicon (*konsortium*), is much less widely known than the word *leverandørgruppe*, which simply stands for a 'group of contractors' or a 'group of suppliers'. There is also a word *abeidsfellskap* which means a 'community of workers'. The Norwegian terms illustrate the essence of work of a consortium – it is a group of companies which cooperate with each-other, but remain independent of each-other as they do not form a special purpose entity in order to work on the project at hand.

In Norway consortiums are usually involved at construction or infrastructure ventures, and they include both: project groups called to existence by architects and engineering companies and consortiums of material suppliers and contractors.

Am I my partner's keeper? Or a few words about cross liability in a consortium

The most important issue, which arises when discussing work as a consortium, is the liability of different parties of the consortium. This matter is most important when one of the partners fails to fulfill its obligations.

The consortium's contract should clearly specify the obligations of each company. It is extremely important for the clients, because it allows them to oversee the progress of the project and to demand corrections or charge contractors for not meeting the agreed deadline. It is important to note, at this point, that the obligations and tasks listed in the contract do not have to overlap with the area of liability of a company.

It goes without saying that the best solution for the companies would be to have each of them take responsibility for its own fragment of the project, but it is seldom the fact.

The best solution for the client, on the other hand, is a stipulation that in case of any defects, delays, or any other breaches of contract, they are able to charge or sue not only the company responsible for the failure to meet the requirements but also the entire consortium of companies. It means that any of the parties of the consortium or a leader of the consortium can be held liable. In such a case we are talking about shared responsibility, which binds the parties of the consortium. This solution is formulated in the standard model of contract with project groups (model NS 8401 from 2010) and is more and more commonly used in contracts with other suppliers as well.

The final decision about the liability model is up to the parties negotiating the contract. Even if they are using the standard model of the contract, which includes the shared responsibility solution, they can modify the contract according to their agreement.

What is more, the sanctions listed in the contract might not be limited to punishments for the breach of contract, but they can include punishments for the failure to abide by the labor law requirements, or failure to meet the wage requirements. In this case it should be made clear as well, which member of the consortium is held liable or if they all need to be punished according to contract.

For example, contracts which Norwegian Public Roads Administration (*Statens vegvesen*) signs with its contractors for roadworks often include the following statement: 'In case of continuing breaches of

labor law and wage requirements the contractor can be excluded from any future contracts with Public Road Administration. In cases when the contractor is a consortium (a group of contractors) the exclusion shall concern all parties of consortium’.

Such caveats in contracts ensure that the parties of consortium check each-other’s work and make sure that the rules and laws are not breached.

Consortium and bank guarantees

In case of contracts, and especially in case of important and costly projects, the clients often require the consortium to present bank guarantee which would serve to secure the contractual obligations. Contracts, which are made according to Norwegian standards (*NS – kontrakter*) and other standardized contract models, always include requirement for a bank guarantee.

The question of bank guarantee is a complex matter for a consortium. The best solution for the client is to receive a shared bank guarantee, which serves to secure obligations of all parties of the group. However, some of the parties of the consortium might have difficulty obtaining bank guarantee. Usually the parties of the consortium decide between each-other what sort of guarantee they can offer in the contract and stipulate that the client can invoke the guarantee until the client’s claims are satisfied accordingly.

Entering into contract with a consortium

All companies which are parties of the consortium will be called ‘contractor’ or ‘contractors’ in the contract. It means that in the face of law the leader and partners in the consortium are different from contractors and subcontractors.

In case of a public contract the parties of a consortium are called a ‘group of suppliers’ (*grupper av leverandører*) vide regulation of public contracts (*anskaffelsesforskrift*) §§ 17-7 (1) and 17 –8 (3).

According to Norwegian law regulating public contracts, there is only one condition under which consortiums – groups of suppliers - can offer shared bids and enter into joint contracts: it should be evident that the bid is made by a group of companies.

Contract between the parties of a consortium

Apart from entering a contract with the client, according to which a consortium represents one side of the contract, the parties of a consortium should enter into a contract with each-other (consortium agreement). Consortium agreement regulates matters such as division of responsibilities and obligations, liability and profits.

The standard contract model NS 8401 we have mentioned above, used when entering into contracts with project groups or consortiums, covers the agreements between the parties (point 5) and stipulates that the copy of the consortium agreement should be shared with the client. It also requires that the par-

ties select a leader, which will represent the consortium during contact with the client. The clients should choose to follow these steps when dealing with all kinds of consortiums.

Using a form RF – 1199 to report contacts in which one party of a consortium is a foreign company

According to Norwegian law all contracts with foreign companies should be reported to the Norwegian Tax Organization for Foreign Matters (*Skatteetaten for Utenlandssaker SFU*) using form RF – 1199.

If one or more parties of the consortium are foreign companies they are obliged to fill in the RF – 1199 form, but one has to bear in mind that the form itself is not suited to report contracts entered into by consortiums, because it requires you to provide the Norwegian client, contractor, and subcontractor numbers and the consortium, which is not a separate legal entity, would not be assigned such a number. In order to solve this issue you need to:

a) List the leader of the consortium as the main contractor and the remaining parties as subcontractors (which is not true, because the parties of a consortium are sharing the role of a contractor or subcontractor, but it allows you to give relevant identification numbers) and submit the form with an explanation and both contracts attached (contract between the client and consortium should be listed as the main contract) and the agreement between parties of a consortium (number of this agreement should be entered into places usually reserved for the number of the contract between contractor and subcontractor).

If the parties of consortium have their own subcontractors their contract can be reported according to the procedures.

b) List the consortium as the contractor on the RF –1199 form and provide appropriate explanations and contracts.

If the parties of consortium have their own subcontractors you should report the contract according to the procedures and wait for the SFU to get in touch with you requiring additional information. If you choose the first solution you might be asked to offer additional explanation and information, while in case of the second solution you are going to be submitting a form where one party does not have the Norwegian registration number. The additional explanation is not too complex, but they are another formality you would have to fulfill.

It goes without saying, however, that each of the parties of the consortium is obliged to have Norwegian registration number, which means that the company has to be registered as a NUF – a foreign company officially registered in Norway.

Sources: justtoget.no, lovdata.no

Sick leave in Altinn

NAV made an attempt to digitize the sick leave notifications, which will help all interested parties to get quick access to the information. New service will be developed in stages. The first service has been introduced on 29th of September 2016. The following procedure is now possible:

- ✓ Person on a sick leave logs on at www.nav.no, finds his/hers sick leave notification and sends part C to the employer.
- ✓ Employer receives notification of a sick leave (if he decided that he wants to receive such notifications) through Altinn.
- ✓ Employer downloads the sick leave from the system and reports it to NAV along with the name of a person who will be responsible for overseeing the sick employee.

Who has the access to view the sick leave of an employee?

An access to the Altinn system must be granted in order to view and download the sick leave of an employee. Currently, only the general manager of the company (registered in Brønnøysundregistrene) has the access to such sensitive information. It would be appropriate for them to assign selected HR specialists with access rights in order for them to pass on sick leave to personnel managers.

New service is suited best for small and medium companies

The digital sick leave notification will be the most advantageous for small and medium companies, since the large businesses handle sick leaves through their own payroll and HR systems. NAV is working closely with their system suppliers for future integration. Before this integration is completed, many of the larger businesses will still want to receive Part C of sick leave, as it was before - on paper.



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Part D will remain on paper (for the time being)

One of the requirements for sickness benefits - Part D of the sick leave cannot yet be sent electronically. It should be filled in the usual manner and delivered either to the employer or NAV, depending on who will pay for the sick leave.

Not all patients will immediately be covered by the new system - it will depend on what kind of digital system the health clinics are using, to which the patients will be subjected. The program will be expanded as part of the system actualization in the doctors' offices.

More:

nav.no/digitalsykmelding

www.altinn.no/no/Toppmeny/Aktuelt-og-presse/Nyhetsarkiv/Na-kommer-sykmeldinger-i-Altinn/

Norway backs radio digitalization

Norwegian Ministry of Culture announced that the process of decommissioning of analog radio transmitters should begin on January 11th 2017, making Norway the first country in the world to establish a date commencing the process of switching to digital radio.

If you have travelled across Norway by car, you should know that radio signal is patchy there at best. It is all about to change for the better now, but all radio-lovers should prepare for the change and purchase a new receiver.

Norway will be establishing a nationwide DAB network, which offers more channels than the traditional FM network. The first to switch to the DAB network will be the north of the country, and the change will be introduced gradually. The authorities plan to begin the change in county of Nordland in January 2017 and finish in Troms and Finnmark counties in December 13th 2017.

Advantages of digital radio

In 2016 NRK (Norwegian government-owned broadcaster) launched new digital radio transmitters which have significantly improved the range of DAB radio. Wider range of transmission is one of the main arguments supporting the change from analog radio system to digital broadcast. Norwegian landscape of mountains, fjords, valleys, and islands is a real challenge for the traditional FM radio whereas digital radio might provide a solution to the problems with quality of radio signal.

Digital broadcast is characterized by perfect sound quality and trumps analog broadcast because it eliminates interference, in the same time allowing to receive more channels at a significantly lower cost. The receivers are, consequently, more complex and more expensive than the traditional radios. Research suggests that only fifth of drivers in Norway already own DAB system. It seems that the remaining people

are still waiting for the process of analog decommissioning to commence.

National Communications Authority has recently stated that the DAB network belonging to the NRK already reaches more homesteads and people than the traditional FM broadcast. From 2017, the 14 digital channels belonging to the NRK will have a similar range.

Norwegian pioneers

Norway is at the forefront of change – no other country decided to take up such radical approach to switching to digital radio system. Neighbouring Denmark and Sweden are still considering change, but they plan to do it in a few years time. European countries are declaring that they will take up action too: Great Britain, Germany, Italy, Switzerland, Belgium, The Netherlands, Poland, and Ireland are the next in line to introduce digital radio systems. The authorities in Denmark, for instance, stated that they are going to decommission FM system as soon as at least 50% of the radio audience will be relying on digital broadcast. It seems that the Norwegian experience of this change will serve as a lesson and example for other countries.

The EU countries have a lot of digital radio channels (there are 23 digital radio channels in Poland, for example), but there is no legislation regulating the need to switch from FM transmission to DAB network. Even though digital broadcasting is 40% cheaper, establishing the required infrastructure is a lengthy process. Norwegians declare that the works are progressing according to the schedule made in 2015 and they are not expecting to miss the 2017 deadline.

We were here

Business Mixer - 28.09.2016



Polish-Norwegian Chamber of Commerce invited Polish as well as Norwegian manufacturers and distributors to a Business Mixer. It was a great opportunity to discuss the possibilities of cooperation and specifics of the Norwegian market. Representatives of Polish Connection participated in this meeting.

XXV Jubilee Gala of Pomeranian Employers Association - 29.09.2016



This year Pomeranian Employers Association celebrated its 25th anniversary. Magdalena Polakowska and Beata Iwancio-Jóskowska (Team Managers and Proxys) were invited to the Jubilee Gala arranged for this occasion. The event was very prestigious, among the invitees were three Polish presidents.

Multiserwis Sp. o.o. celebrated its 25th anniversary - 30.09.2016



Multiserwis is one of the largest Polish companies that operates in the field of thermal insulation and industrial scaffolding. This company is a highly valued partner for complex tasks in the energy, chemical and petrochemical industries in Norway. Aleksandra Fajfer Eriksen Chairman of the Board of Omega Accounting AS & Polish Connection was invited to this ceremony.

„Cross-cultural perspective on how to present our ideas successfully to a business partner” - 11.10.2016



Our representatives attended a meeting concerning the communication with customers from Scandinavia. This event was organized in Radisson Blu Hotel Gdańsk by Scandinavian – Polish Chamber of Commerce, Scandinavian Airlines and Enter Culture.

Seminar „Norwegian market – challenges and new possibilities” - 13.10.2016



Omega Accounting AS and Polish Connection in cooperation with Codex Law Firm recently organised a succesful seminar. Lectures were given by Partners from Codex law firm, representatives of one of the biggest construction companies in Norway searching for solid partners and subcontractors from Poland – Hent AS and many others. The seminar adressed topics such as: construction contracts and their legal aspects, public procurement, chosen aspects of taxation law and ways of gaining financial recources from Norway and EEA Grants.



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