



Magazine for entrepreneurs in Norway

Omega Norwegian Solutions

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To whom it may concern,

In this summer edition of our magazine, we would like to present a couple of articles whose purpose is to inspire and provide useful information on life and business in Norway. We hope they will make an interesting read for you.

In this magazine, you will find a lot of practical advice. Here, we explain the rules for deductions in salaries and vacation pay, how to sublet an office to your own company and gain profit, and we describe the difference between a hobby and business. From Konrad Lotczyk's article, you will be able to find out how to voluntarily join Folketrygden, whereas in Adrianna Smerecka's text, you will find the description of the first digital portal for entrepreneurs.

Summer in the Scandinavian countries is a special time. Public life dies out, offices and institutions slow down, and many people leave town or enjoy

the sun abroad. All this due to the fact that the northern summer is short. I hope all of our readers and customers have the opportunity to make the most of summertime and rest from everyday chores. After all, the most creative ideas are born in times of relaxation.



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

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Subletting an office to your own company

Do you work from home a lot? You can set up an office there. To make real profit, however, you might need some professional help.

Having your own office at home is both comfortable and cost-effective. That is, as long as you are familiar with the law and ready to contact the tax authorities, which check this type of work environment extra meticulously. Generally, tax inspectors check whether a home office is the best option for a company.

Office or branch?

First, you need to decide whether the office should only be used for working from home, or whether it will also play the role of the company's head office. In the first case, you could receive an untaxed office bonus to cover any real expenses (e.g. electricity and maintenance costs), as well as part of the fixed expenses for the whole house (e.g. insurance, communal tax and external maintenance costs).

An alternative here would be to set the untaxed office bonus at the annual price of NOK 1,500. The company can deduct the amount as expenses. The most profitable option would be to let the rooms as head office or branch office. The company could then deduct rent as part of company expenses, and the owner could be exempt from tax if the rent is not liable to taxation (fritaksligning).

Tax authorities' inspection

The tax authorities check extra meticulously whether there is any real lease agreement. The inspectors are especially interested in whether:

- There is a written lease agreement;
- The employer has the sole right to manage the rooms;
- Work performed in the rooms is reflected in the costs of lease;
- The rooms can be accessed without having to walk through the rooms used by the employee for living purposes;
- The rooms have a sanitary network, which can be accessed without having to walk through the rooms used by the employee for living purposes;
- The rooms have been specially adjusted to employer's goals and cannot easily be turned into living space;
- The employer is the owner of the equipment that is essential for work, i.e. fax, computer, or partly uses the rooms as a warehouse;
- The rooms are actually used by other persons working for the employer;
- The rooms are used to meet customers or hand out merchandise;

- The office space is marked externally, e.g. with signs, or is featured in the telephone book or company's address list;
- The rooms are used within normal working hours, not only after;
- The employer has no other office facilities in the neighborhood.

Set a reasonable price

It is a good idea to contact an intermediary or rent a property in order to obtain help with assessing the market value for the lease of the rooms. It is best to ask for a written assessment to be able to document the assessment method should there be an inspection.

Should the tax office decide that the rent is too high, part of the amount above the market price will be taken as remuneration or dividends, and tax will have to be paid.

Tax trap

If you are planning to sell a house in the future,

you have to take this into account when establishing a home office. For the profit to be tax-free, you need to be the owner of the house for a minimum of one year, and use at least half of the house as your apartment for one year out of the last two.

Many people do not realize that if part of the house was meant for office, that part of the profit will be taxed.

In order to avoid that, you need to sublet the office for living purposes a year prior to the sale (alternatively, use it yourself).

Ten steps home

Knowing the legal regulations, you can already enjoy an office in your own home. Thanks to that, you will always be in close proximity to work, which is especially important for people with small children or various degrees of handicap. A home office is also an ideal solution for those who run a business activity after working hours, e.g. in the evenings and on weekends.



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Company bankruptcy vs board members' personal accountability

Company bankruptcy is one of the elements of how a free-market economy works. Widely conducted market research shows that the most likely to go bankrupt are the companies that have been around for less than five years.

The statistics run by the Central Register in Brønnøysund (*Brønnøysundregister*) show that the number of limited liability companies (*Aksjeselskap* - AS) announcing bankruptcy has for a couple of years been stable, and currently constitutes about 26,000 forms registered in Brønnøysund.

When an AS company announces bankruptcy, it is the very company that goes bankrupt, not the persons responsible for running it, nor the shareholders who are held accountable for company's debts in proportion to their own share capital. There is, however, a legal stand that enables determining the personal responsibility on the part of the company's Board Members.

Bankruptcy proceedings are conducted according to the liquidation law (*Lov om gjeldsforhandling og konkurs (konkursloven)* from June 8, 1984 with later amendments).

The creditors of the companies that filed for bankruptcy frequently do not use the possibility to regain the claims or request personal responsibility. Perhaps this is the result of the lack of knowledge of the law.

Below, please find a description of some of the main cases, which can contribute to the per-

sonal responsibility of a company's Board:

- **Company insolvency while contracts last**

We deal with such a case when the management puts another obligation on the company, knowing or assuming that it will not be able to follow through. The creditors will have a problem with proving that the company was already insolvent at the time of signing the contract, and the persons in charge chose not to declare bankruptcy.

- **Continuing with business despite insolvency**

Persons in charge of the company are obliged to constantly evaluate whether it can continue its activity. Should most of the share capital be lost and with no possibility for covering of own debts, the company should file for bankruptcy as there is no reason to continue. Companies often fend off filing for bankruptcy because of the costs, which can go up to NOK 50,000.

- **Unequal treatment of creditors**

Company's often flawed politics and decisions are not the sole reason behind bankruptcy; other external factors can also affect it, i.e. micro- and macroeconomic situation, natural disasters or fulfilling single contracts. It is only natural that



the creditors try to secure their own interests and can seek prioritizing of their own claims. Let us remember though, that the unequal treatment of creditors can result in personal accountability.

- **Falling behind on *feriepenger* and VAT**

What especially matters is that according to the regulations, when a company goes bankrupt as a result of falling behind on VAT and *feriepenger* payments, it is **always** the persons managing it that are held responsible.

Determining this and proving that there is any legal basis for filing a case against the management, is complicated. The managing group is not

willing to face personal consequences, usually claiming that they had the company's best interest at heart all along. At closer analysis, it can turn out that their personal responsibility was so great, that it might make getting some or all of the creditors' losses back possible. Summing up, when dealing with bankruptcy, it is always necessary to consider the above-mentioned option.

Sources:

<http://www.brønnøysundregister.no/>

<https://lovdata.no/>

<http://www.entrepriserettsadvokater.no/>

NAV hopes more people are willing to move

Are you looking for new job in Norway? Be ready to move to other city.

Since May 2014, Norway has seen its unemployment numbers swell by 47 000. Unemployment is now more in line with other countries. 4.3 percent are without a job in Germany, 4.9 percent in the US, 7.0 percent in Sweden and 8.9 percent in the EU.

The number of employees on temporary contracts went up by 28 000 from the 1st quarter of 2015 to the 1st quarter of 2016. This increase was mainly among substitute workers. In the 1st quarter of 2016 the number of employees with temporary jobs constituted 8.3 per cent of all employees, up 1.1 percentage points compared to the same quarter of 2015.

Long-term unemployment

According to analysis from Norwegian Labour and Welfare Administration NAV, long-term unemployment is increasing, particularly in the southwestern part of Norway. Long-term unemployment refers to the number of people with continuous periods of unemployment extending for a year or longer.

Persistent long-term unemployment has implications for society, with dire social consequences for the persons concerned and a negative impact on growth and public finances. Long-term unemployment is one of the factors linked to the increase in poverty in the EU since the start of the economic crisis. In general in most countries long-term unemployment puts workers and their

families at great risk for losing their homes and life savings.

NAV hopes that those who are unemployed will consider changing their occupation or place of residence in order to get a job.

– The figures clearly show that it is a bad being without work for a long time - says knowledge director Yngvar Åsholt in NAV. - Getting into the labour market, even though you do not get your dream job, and then use that as a stepping stone to get the job you really want, is better than being choosy at the beginning.

Getting into the labour market

There are large geographical differences in unemployment level in Norway. Rogaland used to be one of the counties with the lowest level of unemployment, but is now the county with the largest proportion of unemployed people with 4.6 percent being out of work. The total number of unemployed people in the county has increased by 47 per cent. In Oslo, unemployment has fallen by 5 percent over a period of one year. Choosing a right place to live may be now the key factor into finding job in Norway.

– It is important that you are open to changing your profession or trade. And particularly those out of work who live in the southwestern part of the country should consider moving to other parts of the country – says Åsholt.

Source: NTB scanpix, SSB

Norwegian economy will improve

Good news for Norway: 2017 should be better year for economy.

The two-year downturn in Norway has, according to SSB swept away 50,000 oil-related jobs and lead to an increase in unemployment from 3.3 percent two years ago to 4.7 percent today. But now it is finally time for better news.

Forecasts from the Ministry of Finance, Norges Bank and Statistics Norway show significantly higher growth in the mainland economy next year. The level of unemployment will peak this year and will start to go down in 2017, they estimate. DNB Markets and Nordea Markets also believe the growth will pick up next year.

Oil prices

Explanation for Norway's position in the world and today's trouble is oil. When it was discovered in the North Sea in late 1969 it transformed the country's economy. About a quarter of Norwegian GDP is related to oil and gas extraction, and a large share of petroleum production is exported. Norway is the world's eighth-largest oil exporter.

But the fact that activity in the petroleum sector is declining does not mean that the oil age is coming to an end. Half of oil and gas reserves on the Norwegian continental shelf have not yet been extracted. Oil prices has risen from 27 to 50 USD a barrel since January 2015. This is one of the reasons why the **economic downturn in Norway is about to end**. At the same time, record low interest rates have meant a far weaker krone and the economy being strongly stimulated by oil money.

Stimulate the economy

Øystein Dørum, chief economist at Norway's biggest bank, DNB, notes that Norway is fortunate in that its government authorities can stimulate the economy by using more money in the state budget and lowering interest rates. Norway's sovereign wealth fund known as the oil fund, where the authorities have stashed oil revenues for years, thus still provides a strong cushion to help ride out a bumpy economic road ahead.

Sources: Norway Today, newsinenglish.no, SSB

Annual Average Domestic Crude Oil Prices (in \$/Barrel) Inflation Adjusted to March 2015

Year	Nominal Price	Inflation Adjusted Price
2005	\$50.04	\$60.44
2006	\$58.30	\$68.27
2007	\$64.20	\$72.98
2008	\$91.48	\$100.00
2009	\$53.48	\$58.75
2010	\$71.21	\$77.10
2011	\$87.04	\$91.37
2012	\$86.46	\$88.93
2013	\$91.17	\$92.40
2014	\$85.60	\$85.34

Source: <http://inflationdata.com>

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

Part 1

In this article, we address the question frequently asked by our customers of whether an employer can deduct accommodation or training costs or pay outstanding taxes from previous years from an employee's salary or holiday pay (feriepenger).

A word of clarification

This article does not look into the monthly advance tax deductions and social security contributions. These deductions (*forskuddstrekk*) are not only legitimate but mandatory. Each employer has the obligation to withhold advance tax and social security contributions from the employee's salary and pay them the tax authority at the rate indicated in the tax card or, if no tax card is used, at 50% of the employee's gross income. An employee may not request the employer to make deductions at a lower rate than indicated in the tax card, and if the employee finds the deduction too high, he or she should apply to the tax authority to change the tax card. Nevertheless, an employee does have the right to request that the employer discount a higher amount if he or she finds that the advance payments are too small to cover his or her tax liabilities.

Lawful and unlawful deductions

Any other deductions from the employee's salary are only legal if they meet the conditions de-

finied in § 14-15 (2) of the Working Environment Act (*Arbeidsmiljøloven*). Deductions that do not fall within the scope of this Act are considered unlawful, and the employee has the right to demand reimbursement of any illegally deducted amount from the employer.

Below is a brief description of cases where the employer has the right (or even the obligation) to make deductions from the employee's salary or holiday pay. The letters correspond to the relevant sub-sections of § 14-15 (2) of the Work Environment Act.

a) Where mandated by law

There are certain types of claims where the employer is obliged to deduct pre-defined amounts from the employee's salary to cover the employee's debts.

Examples: employee's outstanding tax liabilities, child maintenance payments, or child maintenance debt (to cover advance child maintenance payments paid by NAV).

Example 1

Jan filed his tax return for 2014, and had an underpayment of NOK 20,000. Jan was supposed to pay this amount in two instalments, in July and August 2015, but he didn't. After he had ignored several requests for payment from the tax office, an order was sent to his employer in October 2015 to make instalment deductions of the money owed by Jan to the tax authority, together with interest, from his pay. In November 2015, Jan's employer started to deduct a little over NOK 4,000 per month from his salary, and pay this amount to the tax authority.

LAWFUL

Example 2

Andrzej got divorced and moved to Norway. He didn't pay the court-ordered child maintenance for his son Krzysz. Andrzej's ex-wife applied to NAV Internasjonalt for assistance in obtaining the maintenance. NAV paid out an advance of the maintenance allowance, and ordered Andrzej's employer to deduct the child maintenance payment from his salary. The employer started to deduct the maintenance from Andrzej's salary and pay it to NAV.

LAWFUL

b) Where the deduction is a pension plan contribution (OTP or AFT)

The employer may deduct a portion of the employee's pension plan contribution from the employee's pay if the employee is covered by such plan. These contributions are deductible from the tax base on the employee's annual tax return.

Example 3

Janusz is covered by a pension plan where the employer pays an insurance premium of 2% of his gross pay (the statutory minimum), and the employee pays the other 2%.

The 2% premium is deducted from the employee's salary.

LAWFUL.

The amount deducted from the employee's pay is listed on pay slips and A-melding reports as „Premie til pensjonsordninger”, and is deductible from the tax base on the employee's tax return. In May, Janusz earned NOK 40,000 gross. The employer deducted NOK 800 from

Janusz's pay in respect of his portion of the pension plan contribution.

LAWFUL

c) Where the deduction was pre-agreed in writing

Almost any amount can be discounted from the employee's pay (except as described below) if the employee and the employer have arranged to do it and signed a written agreement (in the form of a separate agreement, an addendum to the employment agreement, a clause in the employment agreement or a provision in the work regulations that has been accepted and signed by the employee).

The most common arrangements on deductions include: consent to make a deduction from the next pay if any of the previous salaries has been miscalculated (overpayment) – this provision is included in most employment contracts; provisions/agreements regarding deduction of accommodation and food costs; regulations on employee's liability for damages; provisions regulating reimbursement of training costs by the employee, etc.

Example 4

Marek's employer miscalculated his salary for May by applying an hourly rate of NOK 200 while the rate agreed in the contract is NOK 195. There is a clause in Marek's employment contract which states that the employer has the right to recover an overpayment by deducting it from the next salary. In May, Marek worked a total of 160 hours. His gross salary should have been NOK 31,200, but the employer miscalculated it as NOK 32,000. The employer will deduct the difference, i.e. NOK 800, from Marek's salary for June.

LAWFUL

Example 5

Jakub's employer provides accommodation for employees. The company enters into a tenancy agreement with each employee. The rent is NOK 2,000 per month. The agreement stipulates that the rent will be deducted from the employee's monthly salary.

Each month, the employer discounts NOK 2,000 from Jakub's pay.

LAWFUL

Example 6

The agreement between Krzysztof and his employer includes a provision which states that the employer will deduct NOK 40 from his pay for each day on which accommodation is provided to Krzysztof, as well as the costs of airline tickets for his trips to Poland. In June, Krzysztof worked 23 days in Norway, while living in the accommodation provided by the employer. Then, he travelled to Poland. The employer paid NOK 630 for his airline ticket.

In total, the employer will deduct NOK 1,550 from Krzysztof's salary for June. (23 days x NOK 40 + NOK 630)

LAWFUL

Example 7

Agnieszka is seconded by her employer to a food processing company. The company provides accommodation to Agnieszka on the days when she works for them, and the accommodation cost is deducted from the hourly rate that Agnieszka's employer receives from the company. To compensate the difference, the employer deducts some amounts from Agnieszka's salary at his own discretion, despite the fact that he never made any written agreement with her that would regulate it.

UNLAWFUL

Example 8

Zygmunt's employer sent him on a two-week long aluminium welding training course. The course cost NOK 20,000, and was paid by the employer. Before sending him off to training, the employer entered into a loyalty agreement with Zygmunt which stipulated that after completing the course, Zygmunt had to work for the employer for at least one and a half years. If he decided to quit prior to the end of that period, he would have to pay back the cost of the training course to the employer plus a compensation equivalent to the number of man-hours spent on the course (e.g. 100 hours x NOK 198).

Three months after completing the course and receiving his welding certificate, Zygmunt got a much better job offer, and handed in his notice. Since Zygmunt violated the loyalty agreement, the employer deducted NOK 39,800 from his salary and holiday pay.

LAWFUL

Example 9

Marta's employer sent her to an OHS training course so that she could take on the role of an OHS representative (verneombud) at the company. The employer paid NOK 2,300 for the course. Shortly after completing the course, Marta handed in her notice and left the company. The employer deducted NOK 2,300 (the cost of the course) from her last salary claiming that the company had invested in the development of an employee who left the company shortly after obtaining new qualifications, so the company was unable to benefit from the employee's new expertise.

UNLAWFUL

Since no agreement had been made regarding reimbursement of training costs, the employer did not have the right to deduct the cost of the course from Marta's pay.

d) Deductions made under a collective agreement (applies to deductions to cover trade union membership fees, group insurance, etc.)

If an employee is a member of a trade union, the membership fees are typically deducted and paid to the union by the employer. The fees are only paid by an employee if he or she loses his or her job at the company and wants to remain a member of the trade union.

If a trade union offers group insurance to its members, and the employee wants to join the collective agreement (in some trade unions it is mandatory), the employer will lawfully deduct the employee's insurance premium and the membership fee from the employee's salary.

Example 10

Robert is a member of the Fagforbundet trade union. The membership fee is NOK 430 per month. In addition to the fee, Fagforbundet members are also required to pay accommodation insurance, and contribute to the union's provident fund, and an education and development fund (a total of NOK 115). In total, Robert's employer deducts NOK 445 from his monthly pay.

LAWFUL

To be continued...

Source: <https://lovdata.no>

'My Page' - first digital portal for entrepreneurs in Norway

This week, Innovasjon Norge (IN) has launched a digital page for company founders, called 'My Page'. The first service we can use is the new procedure for sending in applications for subsidies. It is part of a vast digitalization program created by the company, and the first directly accessible to customers.

– This will simplify the dialog between Innovasjon Norge and company founders, when they start applying for subsidies. Such a solution was asked for by new Norwegian entrepreneurs, says the Minister of Economy, Monica Mæland.

The solution was created together with the founders.

Innovasjon Norge would like to become a leader in Scandinavia. During the creation of the service, the institution invited to cooperation both the beginning, as well as the experienced entrepreneurs in order to gain direct opinions about the prototypes.

After a while, a wider range of entrepreneurs was invited to test and express their opinion. – Instead of defining it ourselves, what the best solution would be, we worked on the basis of the hypotheses that were tested on our target group throughout the entire process. It was a necessary move on our part, in order to maintain the pace of the process of improving the services offered to our target groups and customers, says Anita Krohn Traaseth, the Managing Director of Innovasjon Norge.

'Game changer'

In future, Innovasjon Norge wishes to focus all of the digital services for customers around the 'My Page' platform. – The fact that we can finally promote the service on our new platform is a real 'game changer', says Rodin Lie, IT Director at IN and the person in charge of digitalization.

– We now have a basis for creating much better services for our customers. At the same time, our everyday work has become simpler, and our customer service can be both more transparent and more effective, says Lie.

The first service on the new platform is the possibility to apply for subsidies, and new functions will be added with time. The important part of the job, performed simultaneously, is the improvement of basic processes. – Examining all of the cases sent to us via the portal will occur in the Norwegian Enterprise Center at Innovasjon Norge in Førde. There is also a telephone line for entrepreneurs, and the same location for both first-contact cases and the center for investigating cases from entrepreneurs, all of which should help us cooperate better, says Lie.

'My Page'

The heart of the new digital Innovasjon Norge customer service system.

The first service that we can use is the subsidy for market research.

On 'My Page' you can:

- log in safely via BankID,
- represent companies registered in Brønnøysundregistrene,
- create new applications,
- electronically trace the entire process of examining applications, – make signatures electronically,
- receive guidelines, both in the form of text and film, about what features a good application should contain.

Source: www.innovasjon norge.no

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Apartment is located in a very middle of beautiful
Old Town in Gdańsk



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**Come
and see for
yourself!**

Voluntary membership in the Norwegian National Security Scheme (Folketrygden)

Membership in the Folketrygden is rarely addressed when discussing living in Norway. It comes up naturally, though, when looking into entitlements to tax reliefs and deductions, social benefits and other important matters relevant to Norwegian residents. In this article, we will focus on voluntary membership in the Norwegian National Insurance Scheme (frivillig medlemskap i Folketrygden), which is an interesting yet unfamiliar topic to many Poles.

A comprehensive overview of voluntary membership in the Folketrygden should include the perspective of a person residing in Norway who is moving abroad, and the perspective of a person moving to Norway from another country.

Voluntary membership for individuals moving to Norway

This applies to individuals who have been residing in Norway for 3 to 12 months, without undertaking employment. In this case, they can apply for membership in the Folketrygden. A key prerequisite that needs to be met in this situation is a “strong affiliation to Norway” (*nær tilknytning til Norge*). This term can be broadly interpreted; generally, it means that it needs to be determined if there is a sufficient connection between the applicant and Norway. NAV (the Norwegian

Labour and Welfare Administration) distinguishes between several groups of individuals who have such affiliation to Norway:

- students who have been attending school/college for less than one year;
- individuals who have been residing in Norway for more than 3 months to visit their relatives;
- Norwegian women living abroad who visit their relatives in Norway and intend to give birth in Norway.

Voluntary membership will certainly not be granted to a tourist who does not have a strong connection with the country, and visits Norway for leisure only.

The application should be filed at the NAV branch nearest to the applicant’s place of residence in Norway.



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Voluntary membership for individuals residing in Norway who are moving abroad

This applies to existing Folketrygden members (who were granted membership based on a longer period of residence in Norway) who decide to move abroad. In some circumstances, moving abroad may result in a loss of membership status. In order to prevent it, some individuals are entitled to request maintenance of their membership status in the Norwegian Insurance Scheme. In order for such application to be approved, the

applicant has to demonstrate a strong affiliation to Norway (on a social or economic level) and must be a member of the Folketrygden for at least 3 years of the last 5 calendar years prior to applying for voluntary membership. Once these essential requirements have been met, the person may apply for voluntary membership if additional criteria are fulfilled, i.e. the applicant:

- is a pensioner with a long period of residence in Norway;
- has a public assignment or scholarship abroad;

- is studying at a university or college abroad and does not receive support from the Norwegian State Educational Loan Fund (Statens lånekasse)
- is employed abroad and works in a company that has its headquarters in Norway.

An application for voluntary membership can also be filed if these criteria are not met; in this case, the grounds for the application must be indicated. If there are valid reasons for it, there is a good chance that the application will be approved.

Pensioners who live abroad and receive their state pension from Norway may be partially granted voluntary membership, which means that they may be eligible for reimbursement of some medical expenses paid abroad. For further information on reimbursable expenses, please contact HELFO.

If the applicant has dependent children and spouse who also live abroad, they can all apply for voluntary membership. The spouse must be a Folketrygden member for 3 years out of the last 5 calendar years.

Applicants residing abroad should submit NAV 02-08.05 application (*Søknad om medlemskap i folketrygden under opphold utenfor Norge*) to NAV Internasjonalt.

Full and limited membership in the Folketrygden

Full membership means that the member has most of the rights set out in the Norwegian legislation (incl. Folketrydloven). Limited membership guarantees entitlement to a portion of the benefits only and a limited right to use the Norwegian National Insurance Scheme (e.g. health benefits, paid sick leave).

When filling in an application for voluntary membership, the applicant must indicate the extent to which he or she wishes to be entitled to the Norwegian insurance benefits (see item *Trygdedekning*). The available options are:

A. The health part of the insurance scheme (helsedelen): the right to health services (*helsetjenester*) and a one-off benefit in connection with the birth or adoption of a child (*engangsstønad*); since the contributions paid refer to the health part of the insurance, the individual has the right to apply for sickness and parental benefit;

B. The pension part of the insurance scheme (pensjonsdelen): the right to Norwegian state pension, disability pension, widowhood pension, survivor's pension, unemployment benefit, single parent benefit, funeral payment, social security benefit (*grunn og hjelpestønad*), medical rehabilitation, rehabilitation allowance, and other.

How much does voluntary membership in the Folketrygden cost?

The size of the contribution depends on whether the voluntary member of the Folketrygden resides in Norway or abroad.

INDIVIDUALS RESIDING ABROAD

In this case, the size of the contribution depends on whether:

- The person has tax liability in Norway and pays social security contributions in Norway, as well as advance tax payments;
- The employer has agreed to pay a portion of the social security contribution covered by employer (*arbeidsgiveravgift*).

INDIVIDUALS RESIDING IN NORWAY

A person with the voluntary membership status is required to pay social security contributions (*trygdeavgift*) to NAV. The contributions should be paid to the nearest NAV branch (if the person resides in Norway). The *trygdeavgift* is paid on the portion of the income in excess of NOK 36,900 (however, the social security contribution in Norway may not exceed 25% of the portion of the income in excess of NOK 36,900). Pensioners receiving their state pension from Norway only are exempt from payment.

Summary

Voluntary membership in the Folketrygden may be an interesting solution for those who wish to be covered by the Norwegian national insurance scheme and have the right to social benefits and health services. Since there are some pre-defined conditions that need to be met in order to receive *frivillig medlemskap* and Folketrygden, it is a good idea to become familiar with the applicable laws and regulations, as well as one's entitlement to benefits and aids available under the Norwegian National Insurance Scheme.

Source: www.nav.no

Hobby or business?

When a hobby starts bringing profit, you need to make it more formal and set up a company.

The Norwegian law does not make a visible distinction between a hobby and business. Hobbies are exempt from tax, whereas a business activity is subject to it. You cannot decide yourself whether you indulge in your own passions or whether you run a business. It is the tax authorities that make such a conclusion after some analysis. The most important thing for tax inspectors is whether:

- It is run at your own risk;
- It has an appropriate scope;
- It can be profitable;
- It will be run for a longer period of time.

Before a hobby can become a taxed business activity, we can use a five-year period for start-up. However, the tax authorities have some requirements pertaining to the documenting of costs and profits.

In order to claim profit from expenses concerning the start-up, each year you need to fill out an RF-1298 form. The form is sent together with the first tax return after the start-up.

Maximum of 5 years for start-up

The same year we have been classified as having our own business, we will be able to apply for tax reimbursement for the first 5 years. In such a case, we will also be able to change our tax return for these years and deduct the actual costs connected with the start-up.

Documentation

It is important to document all of the expenses and profits within the start-up period, and to save the bills pertaining to the actual costs of having run the business since start-up. The list of documents can be drawn up using the Oppstart av virksomhet – Bilagsoversikt list, and it contains sorted and numbered documents confirming both the expenses and profits.

If we decide that the criteria for having a business liable to taxation have been met, we send in **Næringsoppgave 1 (RF-1175)**, together with the regular tax return, and we attach the Oppstart av virksomhet – Bilagsoversikt forms for each previous year.

Accounting after becoming a business

Once we have become classified as a business and we have sent the appropriate annual tax return, we will be obliged to run accounting according to the accounting law. Under such circumstances, it may be wise to consult an accounting office to obtain assistance.

Example: blog

If you have been running a blog for some time now, and you start making money, it may turn out that what you have is in fact a business. What is classified as income is also gifts from the companies you cooperate with. If you have a company, you have to pay tax and VAT.

Example: Internet games

If you deal with games on a professional level and for a longer time, and you make a profit from it, you may become taxed as a business, not a private individual. The regulations determining single winnings and occasional income will not pertain to you then.

A person with their own business will be taxed based on all of their profits and expenses. They will also have to send a tax return for entrepreneurs.

Generally, winnings from foreign Internet games are taxed if they exceed NOK 10,000. In this case, everything except our own contributions is subject to tax as income.

Hobby

For jobs, which are not performed in the employer's home, you can earn up to NOK 1,000 per year tax-free. The tax exemption is extended to NOK 6,000 when the employee performs the work in the payer's own home.

If the activity is more of a hobby, more factors are usually included in the specific assessment, such as whether you have income from other work. The regulations do not have a specific amount limit for when an activity constitutes business. There is always a concrete assessment in each case, whether the total activity meets the general conditions for doing business.

If you are in doubt, contact The Norwegian Tax Office via e-mail or call 800 80 000.



We were here



'Trends in Construction in Norway' 25 -04-2016

Polish Connection had the honor of being one of the speakers during the 'Trends in Construction in Norway' conference. There was talk of the specifics of the Norwegian labor law and contracting requirements (B2B) for entrepreneurs from outside of Norway. Meetings such as this one are a great opportunity to present your own company and make new business contacts.

Dinner with the King 23-05-2016

Aleksandra Fajfer Eriksen, Chairman of the Board of Directors at Polish Connection, received an invitation from King Harald V to take part in a dinner ceremony organized to celebrate the first visit of the President of the Republic of Poland in Norway. Few chosen people received the invitation, and the meeting was closed.



Fair in Kristiansund 29-05-2016



On May 29, we had the pleasure of being the sponsors of a fair in Kristiansund held to honor the Baptism of Poland. The prizes in the lottery were our company gadgets, such as calendars, pen drives, pens and vouchers with discounts to be used at our Molde office. Afterwards, there was great food waiting, and we took part in preparing it.

1000 years of Sarpsborg 03-06-2016

On June 3, during the celebration of Sarpsborg's 1,000-year anniversary, the participants could take advantage of the assistance of the consultants from our Moss office, who were also present at the event.



'Two Goals – One Aim' Football Match 03-06-2016

We had a rare opportunity to take part in a football match between Polish and Norwegian entrepreneurs that was organized by the Polish Norwegian Chamber of Commerce. The incredible mood was felt not only by the supporters watching the match and cheering, but also on the pitch. Polish Connection was represented by the young and talented Simon Eriksen, Aleksandra Fajfer Eriksen's son. After the game, you could take part in an auction, the profits from which were handed over for Aleksandra Grot's cancer treatment.

Handing over of Sleigh 11-06-2016

On June 11 in the Norwegian Maritime Museum in Oslo, there occurred the official handing over of the sleigh bought by Polish Connection for the traveler, Marcin Gienieczko. The sleigh had been built for a period of 3 months prior to the occasion and especially for the Solo Antarctica project, during which Marcin Gienieczko intends to cover a distance of over 5,000 km on foot through Mongolia, Greenland, the Mackenzie Mountains in Canada and the Antarctica. He plans to reach the South Pole on the day of the 100 anniversary of Poland's Independence in 2018.



ReForum 20-06-2016

Polish Connection was one of the speakers at an international conference devoted to the development of cooperation between public institutions, companies and non-government organizations in Poland and Norway. The presentation dealt mainly with projects connected with innovation, security and infrastructure.

'Closer to Norway' Meeting 25-06-2016

Together with the 'Zoozanko' language school, we organized a meeting where you could discover how to efficiently look for a job and what hourly rates are obligatory in Norway, how to establish your own company in Norway, and you could also find out the details of tax- and pension-related subjects. This type of information is valuable for everyone who wishes to connect their future with Norway.





Connected to Norway since 2004



**ARE YOU LOOKING
FOR ACCOUNTING
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IN NORWAY OR HAVE
PLANS TO ESTABLISH ONE?**

**DO YOU HAVE QUESTIONS
CONCERNING NORWEGIAN
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For over 10 years we have been specializing in counseling in the field of Norwegian tax regulations and labor law. Our offices provide a wide range of accounting services for companies that run or intend to establish their business in Norway. More than **10 000** clients put their trust in us. Among them you will find individuals as well as large companies performing contracts in Norway.

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- Registration of companies
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- Applications for Norwegian social benefits and welfares
- UDI registration, family immigration
- Translations and contacts with Norwegian institutions

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