

OMEGA

SOLUTIONS FOR ENTREPRENEURS
IN NORWAY

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ENTERTAINMENT, RELAX AND... DENTIST APPOINTMENT

MARCIN BORTKUN

Dear Readers,

Autumn is coming and it brings changes and new ideas. In this issue we have special articles for accountants. We recommend texts about intracompany invoices, which are already a common practice in Norway, as well as about country by country reporting, which is going to be popular soon. Our readers are also welcome to read about the most common criminal practices in work environment, changes in Norwegian laws and the reality that can befall sole trader companies, especially in building and shipyard industry. On the bright side, we have a text about Vipps – a new application which can help with payments and accountancy, and an interview with Marcin Bortkun, a president of Polish-Norwegian Chamber of Commerce, about the most popular reasons Norwegians have to visit Polish Tricity. We wish You pleasant experience with our new magazine.

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



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VIPPS – MONEY TRANSFERS MADE EASY

A mobile app called Vipps has been released in May 2015 as a result of cooperation between the Norwegian DNB bank and main Norwegian mobile service providers. The application allows you to pay your bills and invoices quickly and easily, without the need of logging into your bank account. You can also use this app to transfer money to other users of the application, as well as pay for goods and services.

The application has been downloaded by over 2 million private users and over 2000 companies and businesses decided to allow its customers to pay for goods and services with the app. Considering the fact that the population of Norway is 5 million, the app is extremely popular. Vipps has overtaken such application as Snapchat or Instagram and it has even entered into the Norwegian vernacular as a phrase: *å vippsse – vippsse – har vippsset* which simply stands for an easy and quick money transfer. Users praise the application design for its user-friendly interface, useful functions and speedy service.

How to use the application?

The application is free and, what is important, compatible with all available operating systems. In order to use the application you have to be over 15 years old, have a Norwegian ID number and phone number, a bank account in a Norwegian bank and a Visa or Mastercard credit or debit card.

Money transfers between the users of the application up to the sum of 5 000 NOK are free of charge, while transfers exceeding this sum will incur a commission amounting to 1% of the sum being



transferred. Money transfers between users and companies, organisations, or associations are free of charge. Business owners pay 1.75% of company's turnover for using the application. Additional costs include a fee from 5 to 49 NOK for paying invoices.

All private users who have their bank's application installed on their phones (Bank ID) can receive or transfer 250 000 NOK via Vipps application a year. If you don't have your bank's application on your phone, you can receive transfers up to the

sum of 8 000 NOK and send transfer up to 22 000 NOK a year.

All information about the application and terms and conditions of service are available online here: www.vipps.no. You can also look up Vipps fan-page on Facebook if you need more information about the application.

As mobile payments are growing in popularity both in Poland and Norway it might be a good idea to check if this method of payment would suit you!

INTRODUCTION TO COUNTRY BY COUNTRY REPORTING OF THE FY 2016 IN NORWAY

Theoretically, if you want to earn, you must take a risk. If you take a risk, you assume that the chance of profit is bigger than probability of loss. Multinational corporations are precisely assessing the distance between acceptable risk and unacceptable risk. Meantime, within the same game are participating tax authorities, which are earning tax revenues only made on profits, not losses.

Therefore, from the point of view of tax authorities, the biggest issue is to verify the true meaning of each transaction when it is granted that the best benefit can be coordinated with proportional risk. It is natural that tax authorities are interested in monitoring risk-exposition first. The next task is about checking tax-reporting results which create the tax base for tax authorities. Unfortunately, without access to proper data, such a mission of tax authorities will be impossible. What about if tax authorities get at the experimental start only the access to data concerning transactions of a big scale?

Practically, corporations think strategically about tax optimization, and tax authorities learn by following the results of global operations. Usually, it is too late then to tax the results. To overcome such an information gap of an intertemporal nature, OECD countries and other G-20 decided to focus on exchange of information about business activities of multinational companies. Additional information obligations were imposed on multinationals when the tax authorities agreed only on the scope of exchange of information.

Starting with fiscal year of 2016, the reporting standards have been extended from two traditional existing documents, i.e.:

local documentation file and master file. Completely newborn is the Country-by-Country report which became obligatory for every multinational corporation with consolidated revenue exceeding EUR 750 million in FY 2016 (NOK 6,5 billion). As the result, Country-by-Country reporting standards are to be implemented in 64 countries including Norway and Poland as the core members of OECD.

For the time being, any Norwegian entity of an MNE group (incl. a foreign establishment in Norway – NUF¹) is obliged to update data with the Norwegian Tax Administration using the standard tax revenue form (for FY 2016) about the situation of the reporting entity in the context of extended global activities of the multinational group. Questions were focused on the place of the reporting entity within the structure of each multinational group, the scale of consolidated revenue in the case of affiliation with any multinational group (if consolidated revenue exceeds NOK 6,5 billion). The next issue was about the financial reporting standard being used within the multinational group (namely if it conforms to requirements of IFRS or not). Norwegian Tax Administration collected on the same occasion a declaration from the reporting entity about the name of the company responsible for submitting the

Country-by-Country report in respect to any foreign Tax Authority, and geographical location of its C-b-C report. The deadline for reporting those details were coordinated in Norway with the deadline for submitting tax revenue for FY 2016, namely 31st of May 2017.²

After such a first recognition of each situation, the second round of reporting will be the most challenging within the deadline of 31 December 2017 for FY 2016. Classified reporting entities will be obliged to fulfill the Country-by-Country reports in every respective location of the consolidated financial report according to advance notification by each tax authority with access to consolidated data. This makes a tremendous difference in the Transfer Pricing documentation of inter-company transactions, starting with FY 2016.³ The most significant circumstance for any reporting entity is the fact that 64 Countries have become signatories to the Multilateral Competent Authority on the Exchange of Country-by-Country Reports. They have expressed the intention to automatically exchange the content of the reports. Therefore the content of the C-b-C reports shall be strictly consistent with all other reports, traditional transfer pricing documentation being standardized.

OECD and G-20 are explaining the main intention of Country-by-Country Reports as being only part of a three-tiered structure, along with a global master file (at the level of each group) and local file (at the level of each particular entity within the group), which together represent a standardized approach to transfer pricing documentation which will provide tax administrations with relevant and reliable information to perform an efficient and robust transfer pricing risk assessment analysis.⁴

DICTIONARY of definitions in Country-by-Country Report⁵

Group means a collection of enterprises related through ownership or control such that it is either required to prepare Consolidated Financial Statements for financial reporting purposes under applicable accounting principles or would be so required if equity interests in any of the enterprises were traded on a public securities exchange.

Constituent Entity means (i) any separate business unit of an MNE Group that is included in the Consolidated Financial Statements of the MNE Group for financial reporting purposes, or would be so included if equity interests in such business unit of an MNE Group were traded on a public securities exchange; (ii) any such business unit that is excluded from the MNE Group's Consolidated Financial Statements solely on size or materiality grounds; and (iii) any permanent establishment of any separate business unit of the MNE Group included in (i) or (ii) above provided the business unit prepares a separate financial statement for such permanent establish-

ment for financial reporting, regulatory, tax reporting, or internal management control purposes.

Multinational Enterprise (MNE) Group means any Group that includes two or more enterprises the tax residence for which is in different jurisdictions, or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction,

Excluded MNE Group means, with respect to any Fiscal Year of the Group, a Group having total consolidated group revenue of less than 750 million Euro (or an amount in local currency approximately equivalent to 750 million Euro as of January 2015) during the Fiscal Year immediately preceding the reporting Fiscal Year as reflected in its Consolidated Financial Statements for such preceding Fiscal Year.

Reporting Entity means the Constituent Entity that is required to file a country-by-report conforming to the requirements in its jurisdiction of tax residence on behalf of the MNE Group.

Facts about Country-by-Country report:

- must be filled annually by the Reporting Entity (starting reporting the FY2016) in accordance with the laws of its jurisdictions of tax residence and with the information required to be reported under such laws covering the items and reflecting the common format;
- deliver aggregate information of the geographical structure of business model of the MNE Group relating to: the amount of

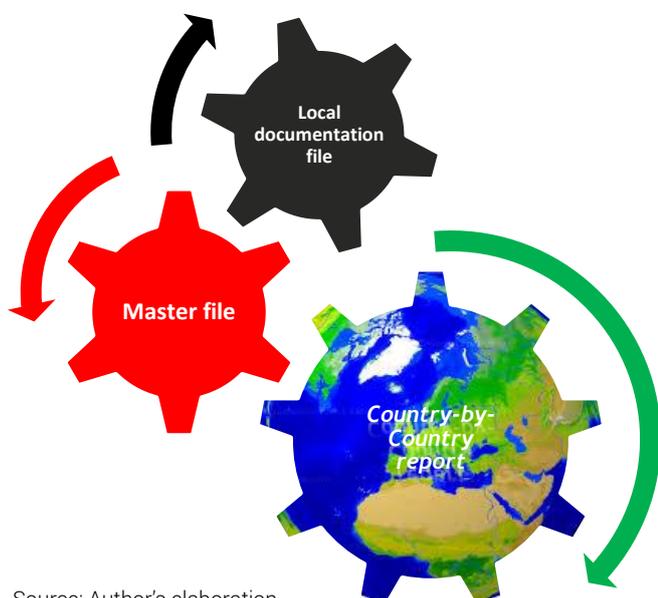
revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees, and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which MNE Group operates;

- presents an identification of each Constituent Entity of the MNE Group setting out the jurisdiction of tax residence of each constituent entity, and where different from such jurisdiction of tax residence, the jurisdiction under the laws of which such Constituent Entity is organized, and the nature of the main business activity or activities of such Constituent Entity.

Summary

Summing up, the Country by Country Report is the information package referring to the interest of each individual state, which lies not in knowing the outcome of the MNE Group transactions, but in gaining knowledge of the business model and business activities of the multinational structure involving assets, creating opportunities and materializing in results by simultaneously constituting the tax base under the particular tax jurisdiction.

By the way, this new reporting standard may help tax authorities to learn more about the attitude of MNE Groups to risk and can result if not in devaluation of extraordinary profits consolidated within the results of the whole group structure, then of a better understanding of the many players from the same playground.



Source: Author's elaboration.

Scheme 1. Universal structure of Transfer Pricing documentation of intercompany transactions, starting FY 2016.

1. *Norsk Utenlandsk Foretak*
2. Source: www.skatteetaten.no
3. Norwegian Tax Administration will promote details on C-b-C regarding data for FY 2016 from 17 August 2017. The summary of Norwegian best practice is to be elaborated as the second part of this article.
4. Action 13: Country-by-Country Reporting Implementation Package, OECD 2015.
5. Definitions from Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports.

ABOUT A COMPANY THAT NEARLY NO-ONE WANTED

Recently, there has been a massive surge of sole trader companies being set up in Norway. This phenomenon is most popular in building industry. The sole trader business is set up with minimal participation of the future business owner, and as a general rule it happens at the initiative or suggestion of a prospective Norwegian employer. The main objective of setting up this kind of company is transferring financial and fiscal responsibilities from the employer to the employee, who becomes the owner of sole trader firm.

By hiring a contractor (a company rather than an individual) the employer can avoid expenses they would have to, according to Norwegian law, bear otherwise.

Some of the costs of hiring a new employee include, among other, the obligation to cover the *feriepenger*, covering a part of the employee's social security, paying the insurance in case of workplace accident, a pension contribution for II tier of pension system. There are also additional expenses, such as bookkeeping costs and the cost of mandatory training (health & safety, working at height permits), paying for the builder's permits, overtime pay, business trip expenses, or even purchasing work clothes for the employees.

These expenses might be overwhelming for smaller Norwegian companies which, if they want to operate according to the word of law, face the risk of losing the edge on the market. This might be one of the reasons why there are still so many companies operating in the so-called "grey area" on the Norwegian market. Norwegian officials dub them as *useriøse aktører* – roughly translated as non-serious entrepreneurs. However, it can also mean non-serious actors, and it as well might be that there is a reason behind this humorous word play.

It is essential to point out that after a couple of years of running your business

as the so-called non-serious entrepreneur, you will amass a debt amounting to hundreds of thousands of NOK. The reason for this worrying phenomenon is the fact that lone traders are being tricked into establishing a company by their prospective employers, who then hire them as contractors.

The victims of the con are too trusting and they believe that their employers have their best interest in heart. They sign documents without becoming familiar with their contents. Believing they sign their employment contract, they actually sign the documents establishing their own sole trader companies. Even if they know that they are establishing companies, they still think that they can count on their employer's support. What is more, they are not aware of the fact that under Norwegian law, if you are a sole owner of business you shoulder financial and legal responsibility for debts incurred by your company.

More often than not the victims are people who don't know their rights as an employee, while in the same time is not aware of obligations they have as owners of sole trader business. Moreover, in case of any official review of their company's activity, the tasks they have been hired to do can be classed as falling into category of employment rather than contractor's agreement.

So, how to proceed if we have been manipulated into setting a company that (almost) no-one wanted?

What can you do if you suspect that your employer might have conned you into setting up as a sole trader? First, you need to be aware of multitude of legal and financial difficulties you might have to face. The best course of action is seeking advice from a professional book-keeping bureau or a consulting firm.

It is essential to remember that the majority of our problems will be caused by not following the rules and laws governing running your own company. Unfortunately, as a result you will slip into debt.

Main issues causing financial liabilities are:

- 1. Failing to send your company's tax return** (*Skattemelding for formues – og inntektsskatt – personlig næringsdrivende mv. (RF - 1030)*) – according to law each person running their own business MUST send their tax return by the end of May following fiscal year. It means that you have to submit your company's return online even if your business has not been making any turnover whatsoever for 2 or ever 3 years. You still have to submit your tax return even if your company has been closed in the previous year.
- 3. Failing to get your VAT registration number** – to put matters very simply



– a company that makes a turnover of over 50 000 NOK in a period of 12 month of its activity, must have a VAT registration number, and consequently, the owner must make sure to submit VAT – MVA – oppgave return.

4. **Failing to submit your VAT return and failing to pay VAT on time** – failing to submit your VAT return or failing to pay your VAT results in serious financial charges. We will list the charges further in this article.
5. **Failing to update your company address** – if you move and stop receiving documents from Norwegian revenue office, you might discover that the state agencies have your old address and you haven't received notices about your company's growing debts.

Of course this list only highlights most common problems you face when you unknowingly set up your own business.

Toughening of regulations concerning tax office penalties:

Tax offices, seemingly tired of having to deal with non-serious actors taking over the Norwegian market, decided to crunch down on untimely submissions of financial reports and tax returns or failing to deliver important information to the officials on time. They have recently introduced high

daily fine rates (*tvangsmulkt*) for failing to meet their deadlines.

We list some of the most common lapses and offences as well as punishments.

1. **Failing to meet the deadline for sole trader tax return** (*skattemelding*, previously known as *selvangivelse*) – deadline for tax return submission falls at the end of May at the end of fiscal year. The fine for late submission amounts to 524,50 NOK per day of delay. The maximum fine is 52 450 NOK.
2. **Failing to meet deadline for VAT return** (*MVA – oppgave*) – concerns companies registered in the VAT database. The fine for missing the deadline amounts to 524,50 per day of delay. The maximum fine is 52 450 NOK.
3. **Failing to meet the deadline for submitting information about the so-called third parties** (*Tredjepartsopplysninger – Betalinger til selvstendig naeringdrivende* (RF – 1321)) – concerns companies which purchased services of other sole trader companies which have no fixed office (*uten fast forretningssted*). The deadline for this return falls on February the 15th after the end of any given fiscal year. The fine for late submission or the report is 2 098 NOK per day of delay. The maximum fine is 52 450 NOK.

4. Failure to keep books and accounts

– concerns the obligation to keep all sorts of accounting and financial documents, such as invoices or bills. In case of a company registered for VAT it also includes the obligation to submit reports to the appropriate institutions, such as *naeringsoppagave*, for example. Failing to comply might result in a fine amounting to 1 049 NOK for each day of delay. The maximum fine is 1 000 000 NOK.

To sum up:

The contents of this article might have come as an unpleasant surprise for our readers. One might suspect that the reason for tough fines is curbing the companies which aim to break Norwegian employment laws. High fines might also serve to discourage entrepreneurs to operate outside of the law. There is no doubt that any entrepreneur or business owner should stay up-to-date with laws and regulations concerning their ventures. In case of sole trader company it is essential to remember that the owner of the company is financially responsible for the company's liability – it also includes their personal wealth. Let me conclude with a simple piece of advice – if you are in any doubt or have any concerns regarding fiscal or legal matters and obligations, make sure to get in touch with professionals to seek their opinion on the matter.

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Magdalena Bielecka

FRESH FACTS - CHANGES IN NORWEGIAN LAWS

Read on to find out about a some essential changes to Norwegian laws introduced in 2017.

New rates for construction industry workers

Committee on Corporate Collective Labour Agreement has introduced new minimal wage rates for workers in building industry. New rates have been enforced on June the 1st, 2017.

- Skilled workers – 197,80 NOK,
- Unskilled workers with at least one year's work experience – 185,50 NOK,
- Unskilled workers without experience – 177,80 NOK,
- Workers under 18 years of age – 119,30 NOK.

Changes in VAT regulations

From April 1st 2017, companies with registered offices in the following countries: Poland, Germany, Czech Republic, Slovenia, Portugal, Belgium, Finland, Denmark,

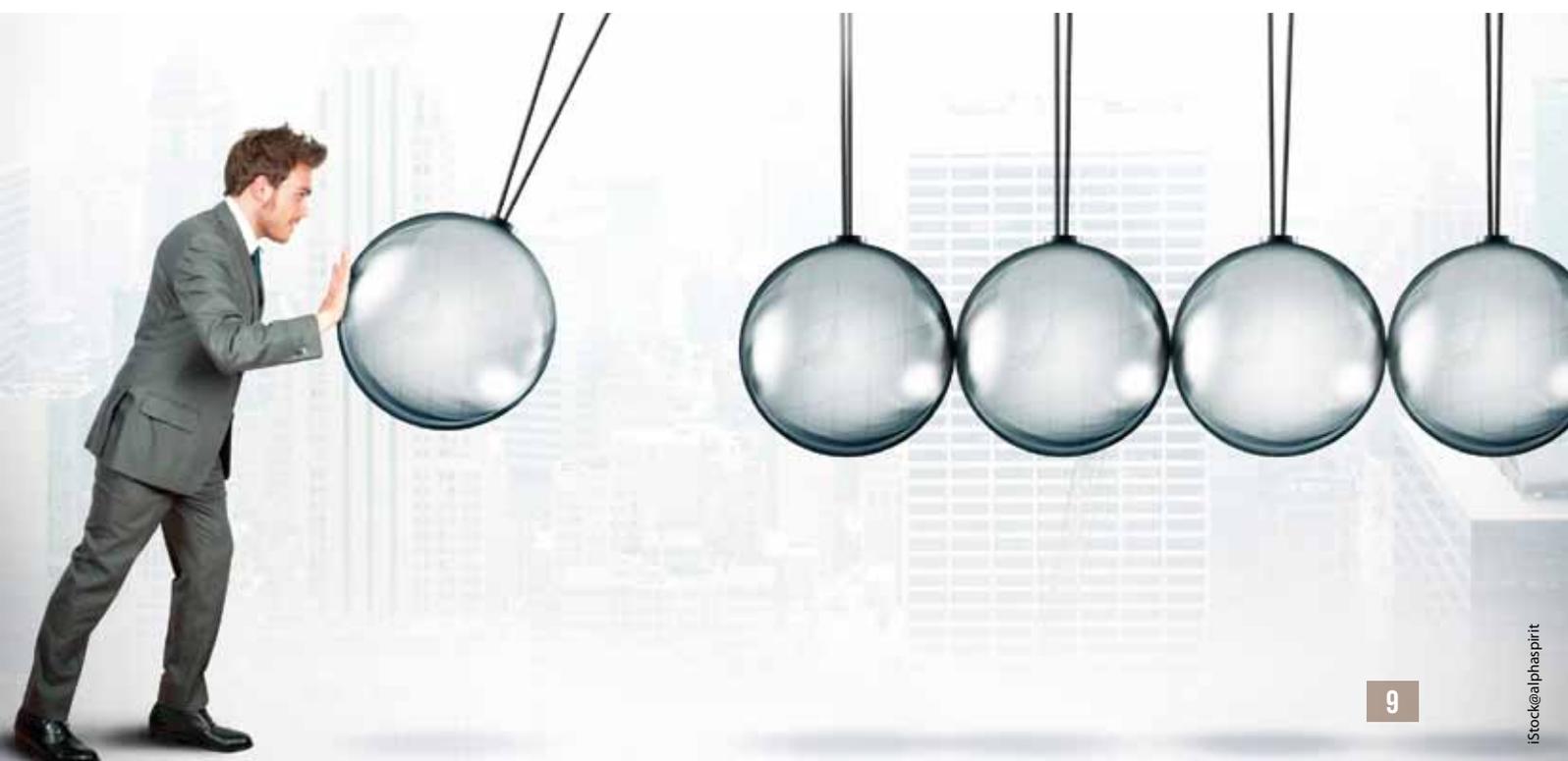
Sweden, Great Britain, Spain are freed from the obligation to register a VAT representative. However, they are still obliged to list a contact person for VAT report purposes. The reason for change in the legislation is motivated by the fact that Norway has entered into an agreement with the countries mentioned above. The participants of the agreement have pledged to exchange information and assist each-other in detecting dishonest VAT practices.

Financial fines for companies for failing to meet the deadlines for tax return and financial reports

Each company or business which fails or misses the deadline to submit their tax return or financial declaration can expect to be fined. According to the act from January 1st, 2017, fine is being charged for each day of delay. The fines amount to the

rate of legal fee – 1 049 NOK.

- The fine for failing to submit your tax return or VAT return or for missing the deadline for submission amounts to $\frac{1}{2}$ of legal fee for each day of delay. The maximum fine cannot exceed the equivalent of 50 times the amount of the legal fee.
- The fine for failing to submit or missing the deadline for A-melding submission amounts to double rate of legal fee for each day of delay. The maximum fine cannot exceed the equivalent of 50 times the amount of the legal fee.
- The fine for failing to comply with book-keeping instructions issued by Revenue Office amounts to the equivalent of one legal fee per day of delay. The maximum fine can amount to 1 million NOK.



Marcin Bortkun

ENTERTAINMENT, RELAX AND... DENTIST APPOINTMENT

Photo: Marta Fortecka

THIS IS WHAT BRINGS MAJOR PART OF NORWEGIANS TO TRICITY IN POLAND

Are Norwegians a large group of tourists in Poland?

MB: Yes, you can easily say that they are one of the larger groups of tourists. This is particularly true in Pomerania, especially in Tricity. For a few years the average number of tourists from abroad in Tricity has been about 400 000 a year. The largest group are still the Germans, but the numbers of Norwegians, Swedes, and the British are just slightly smaller. In 2016 nearly 76 000 of Norwegians stayed in Gdansk. Of course,

they come not only to Tricity. A large group of Norwegians also visits Krakow or Warsaw.

What is it in Tricity that attracts the Norwegian tourists then?

MB: There are many reasons. Direct flight connections with the Norwegian airports from Tricity, probably the best connected Polish city with Norway, is a big plus. The flights take approximately 1.5 hours, depending on the destination of course, and there are 6 flights daily from Gdansk Air-

port to Norway, including not only Oslo, but also Bergen, Stavanger, Trondheim, and Ålesund. It is definitely a good reason for Norwegians to choose Gdansk. Besides, there is a number of advantages that make Gdansk a good choice: long sandy beach from Gdansk through Sopot to Gdynia, a large choice of accommodation, a wide range of activities to choose from. Another important thing is also the fact that Tricity consists of three cities - very diverse, yet located a short distance from each other. Everyone will find something for themselves here. I have often heard Norwegians calling this region the *Polish Riviera*. Most of the people I talked to have visited this *riviera* at least once. And, of course, what is very important - low prices: they definitely attract Norwegians to Tricity.

When did coming to Tricity become the most popular way of spending vacation and weekends for Norwegians?

MB: Definitely after UEFA Euro 2012.



Photo: Marta Fortecka



Marcin Bortkun

Co-founder and President of the Board of Polish-Norwegian Chamber of Commerce focusing on expanding cooperation and trade between Polish and Norwegian companies, as well as on promoting cultures of both countries.

According to the statistics and studies conducted by the Gdansk City Council, the number of tourists in 2012 almost doubled comparing to the year 2011. This trend among the tourists from Norway has remained unchanged. In 2013 there was another significant growth: comparing to 2012 the number of Norwegians staying in Gdansk increased by another 41%. In 2016 the increase exceeded 70% comparing to 2013, the current year's number is also very close to it. So, looking at the statistics, we can actually talk about a boom of Norwegian tourists traveling to Gdansk or to Tricity.

Do businesses from Tricity adapt their offers in order to please the Norwegians' taste, due to such big number of tourists from Norway?

MB: Yes, definitely. The Norwegian is a most welcomed guest or customer in every sector, I think. We can see offers written in Norwegian, or Norwegian flag placed in front of the hotel very often.

However, it is worth mentioning, that Norwegians do not come to Tricity for leisure purposes only. More and more often they come for, so-called, medical tourism.

Medical tourism - meaning...?

MB: Meaning traveling, which combines elements of leisure, entertainment and use of medical services. I know from the member companies of our Chamber of Commerce that many Norwegians use the services

of dentists or aesthetic clinics during their stay in Poland. There is even a special term among the dentists for such tourists: the *dentourists*. The *dentourists* come to Poland mainly from Norway and the United Kingdom to use the services of dentists. It is a quite popular trend. The services of Polish doctors are much cheaper than those in the UK or Scandinavian countries, and still their quality is very high. The recent data indicate that Norwegians spent approx. 200 million NOK on dental services outside their country: in their country they would pay at least twice this amount. You can often meet companies in Tricity that offer the organizing the entire stay for the tourists from abroad: from arranging the airport transportation, by booking a hotel accommodation, providing an entertainment, guided tours of major tourist attractions, visiting shopping malls or restaurants, to dentist, surgeon, and physiotherapist appointments. These companies' services are very popular, as it is a very convenient solution for the arriving foreigners. There are also groups of hotels, spa and medical clinics here that recommend each other's services to their international clients. In such cases, as a tourist, you can be sure that the recommending service providers are looking after their reputation and offer services only at the highest level. As a result, tourists do not have to look for massage therapists or dentists on their own and worry about whether they will be in good hands.



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CRIMINAL PRACTICES IN WORK ENVIRONMENT

It seems that in recent years criminal practices in work environment have been gradually becoming more and more dynamic. They have also been posing more and more of a challenge for the law enforcement and government agencies. What is more, this phenomenon has lasting consequences on employees, businesses, and members of community at large, because if criminal practices at workplace go unpunished, they might prove to be an attractive avenue to explore for dishonest business owners.

According to the NTAES (*Nasjonalt tverretattlig analyse- og etterretningssenter*) report detailing crime at Norwegian workplace, there has been a dynamic shift in the methods of committing crime at the workplace after the year 2014. These changes seem to have been introduced in order to increase the amount of ill-gotten profits. Simultaneously, law enforcement agencies are increasing their efforts to cooperate in order to track law breakers more efficiently.

NTAES has been established in 2016 with an aim of coordinating different activities in a bid to stop criminal practices taking place in work environment. One of the aspects of their work is collecting and analysing existing and new data about crime at the workplace. NTAES is one of the most important initiatives taken up by the government in their attempt to fight workplace crime. NTAES cooperates with the police force, revenue office, customs office, social insurance institutions, and work standards and safety inspectorates. Close cooperation and coordinated work of different law enforcement and government agencies should improve information flow, and consequently help to combat criminal practices at the workplace more effectively. In the recent years this cooperation has been taken further, both on the local and national level. Workplace crime centres have been established in Bergen, Stavanger, Trondheim, Oslo, Kristianstadt, Tonsberg, and Bodo, among others.

Unfortunately, as per the latest report, crimes taking place in corporate environment are more and more difficult to detect, because lawbreaking entrepreneurs are becoming more and more professional and change their methods to avoid being caught by

law enforcement agencies. One of the most recent developments is a surge of dishonest employers, who, in a bid to avoid financial and legal responsibilities employ 'contractors'. Another issue is registering fictitious employees to receive NAV benefits in their name. Money laundering and 'moonlighting', social dumping, and illegal practices connected with declaring a company's bankruptcy are still common crimes befalling Norwegian work environment as well. Foreign workers are most vulnerable when it comes to 'moonlighting' and social dumping, because they are often offered different, illegal work conditions, which rarely happens in case of Norwegian employees. Another worrying development is the fact that criminal procedures associated with construction business have been successfully implemented into healthcare system in Norway.

The latest research, ordered by the Norwegian revenue office and conducted among leading companies in the country shows, that ¾ of business owners in Norway believe, that tax fraud is very likely to be detected by the appropriate agencies. In the same time, the same research shows that more people seem to accept avoiding paying taxes. This trend concerns cleaning and building industries. Surprisingly, even though the government agencies focus their attentions on these branches of economy, business owners seem to believe that it is easier to avoid taxes and other payments in building and cleaning industries than it is in other branches of business. Thus, it becomes apparent that in order to combat the rising crime wave in work environment, government and law enforcement agencies should tackle building and clearing industries first.



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INTRACOMPANY INVOICES. BEST PRACTICE IN NORWAY

Doing business in Norway, especially with foreign entities taxable in Norway, might become easier if both partners do really understand the Norwegian attitude to intracompany invoices. Intracompany invoices are not directly named neither in the Norwegian Bookkeeping Law nor in the Norwegian Tax Administration Act¹. It is opposite to traditional invoices being issued between two independent entities in Norway. Such a 'traditional invoice' is fully named with the traditional attributes concerning: date of issue, subject of the transaction, value of the transaction, terms of delivery, terms of payment, identity of the receiver of goods or services, identity of the provider of goods and services, plus if needed also an indication about Value Added Taxation ("V.A.T."), together with an explanation of the procedure required to register the transaction between fully independent parties.

Why are intracompany invoices so needed in Norway, especially if they are only indirectly defined in the Norwegian Bookkeeping Law? The important reason to issue an intracompany invoice is the need to find the legal reasoning for bookkeeping within any particular transaction, between related parties. Another reason to issue an intracompany invoice is to have control over transactions, which might be the most interesting for tax authorities. It means that clarification of the prices stated within the intracompany invoice might need ad-

ditional argumentation, hence documentation. It depends, especially on the country of residence of dependent foreign entity operating in Norway, which is taking part of the intracompany transaction. The country of residence and its relation to Norwegian Tax Authorities shall determine the status of intracompany transaction².

The most complicated situation with intracompany invoices arises when the original parties to intracompany transactions have transactions with foreign business entities with activities in Norway, if they have residency in the country only, without any agreement on exchange of information about income and property of the related parties with Norway. Such a business entity is obliged to submit the full documentation concerning every controlled transactions, without exemptions.

As far as foreign business entities are concerned that have residence in Norway, with which the country has signed an agreement concerning the exchange of information about the income and property of the related parties, options become more complicated. The clearest option but not the easiest position to take without a doubt is to have complete argumentation for every significant transaction, including clarification of the price development between related parties. This is required of the biggest market players, multinational corporations (MNCs) that have consolidated revenues exceeding 6,5 billion NOK. Such MNEs are obliged also to submit

reports concerning intracompany transactions, and to respond to the request of Norwegian tax authorities concerning valuation of the intracompany transaction.

The second-team players are the consortia of which consolidated number of employees are equal or higher than 250 FTE and either consolidated revenues are higher than 400 million NOK but lower than 6,5 billion NOK, or value of the consolidated balance is higher than 350 million NOK. Such consortia are obliged to prepare full argumentation of the intracompany transactions in Norway.

Exempted from the obligation to prepare full documentation of the transactions with related parties are consortia of which consolidated number of employees are lower than 250 FTE and either consolidated revenues are lower or equal 400 million NOK, or the value of the consolidated balance is lower or equal 350 million NOK. Such consortia are exempted from an obligation to prepare full argumentation in Norway.

The Norwegian tax authorities' attitude to taxable income in Norway is based on an OECD-tradition concerning transfer pricing methods. According to this, the relevant valuation of the results of intracompany transactions, from the viewpoint of tax authorities, should be based on an arm's length principle in order to illustrate real, market value of the controlled transaction under the assumption that the price could be developed between completely independent entities. The documentation to confirm that the price argumentation between related parties might be required by tax authorities and should then be submitted within 45 days after the day of notification of such a request by tax authorities.

1. New regulations of Tax Administration Act apply from 01.01.2017 (skatteforvaltningsloven).
2. General tax conventions between Norway and other states: www.regjeringen.no.



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