



Magazine for entrepreneurs in Norway

Omega Norwegian Solutions

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Changes in Norwegian construction sector

Procedures pertaining to the construction sector in Norway will be simplified. The Norwegian parliament (Stortinget) has already taken steps in that direction, and decisions have been made in June 2014. Since then, they have been revised and finally accepted by the communal and modernization departments.

Most of these regulations will be connected with being able to make changes to one's own property without having to seek permission from the municipality itself. This should help most people and make their lives easier. It will also be cheaper to build and make extensions, and there will be significantly less bureaucracy involved in the entire process. The changes will come into force as of July 1, 2015.

Despite all this, the government still recommends checking building plans for a particular area before making any construction plans. Even speaking about this with neighbors beforehand could be beneficial.

The new regulations entail building the following without having to file applications:

- Garage, outhouse, etc. up to 50 m² can be built within 1 meter's distance from the neighbors.
- Extension of up to max. 15 m², e.g. balcony, open roofed entrance, wood or bicycle shed, etc. up to 4 meters or more from the neighbors.

- Smaller construction works, e.g. partition walls, planning, internal road, etc. can be placed within 1 meter's distance from the neighbors.

All these simplifications should also help do away with fraud, and they will help municipalities as employees could use their time to work on more complex cases and bigger projects. The state will, in turn, be able to focus more on providing people with directions and advisory services.



New investment of Investinor, one of the major venture investment companies in Norway

New investment of Investinor

Investinor, one of the major venture investment companies in Norway, invested in Viva Labs AS.

Since 2014 Investinor has focused their search in companies we call internet based IT: Young, potentially fast-growing, IT-companies. Strategic deals and close cooperation with Startuplab, Founders Fund, Sinvent, Alliance Venture and other co-investors are central in this strategy.

The technology from Viva Labs makes the home smarter. Investinor sees great potential in modern smart house solutions. Viva Labs' solution makes the house adjust itself to those living there, and all lights, heating and safety is controlled automatically.

About Investinor

Investinor is an evergreen investment company funded by the Norwegian government. Enterprise invest in promising unlisted (private) companies aiming for international growth and expansion. It manages 4.2 billion NOK and invests on the same terms and conditions as private investors and focuses on companies in the early stage and expansion stage.

Investinor has ambitions is to be gateway to Norway for its international partners.

About Viva Labs

Viva Labs was founded in 2012 by Henrik Holen and Kyrre Wathne. It is based in Oslo, Norway. Systems created by Viva Labs allows to control and monitor the home from anywhere.

Holen wrote on his blog: "To really make the smart switch smart though, you need to open the Viva app on your phone. From the application, you can give the switch different features easily. You can set it up to automatically heat control of heaters, or just turn on when there is someone at home. Both are good when electricity prices are high in winter. The safety function makes sure the switch is never on for too long or gets left on when noone is home. It's good for the things you always wonder if you forgot, like the iron or the coffee maker."

Norwegian Venture Capital Conference 2015

Investinor is one of organizers of the Norwegian Venture Capital Conference 2015. Conference will take place on June 2nd at Dokkhuset in Trondheim, Norway. Every edition is the annual meeting place for investors, entrepreneurs, advisors and public policy makers with a shared interest in the development and growth of Norwegian companies.

„Work immigration is good for Norway“

Interview with Line Eldring
from Fafo Institute for Labour
and Social Research



PC: How have migration patterns changed in Norway in the last 10 years?

Line Eldring: One of the biggest changes is the scale. Since 2004, more immigrants have been coming to Norway. These are mainly Polish people and migrants from the Baltic countries. Prior to the expansion of the European Union, there were only about 6,000 Polish people living in Norway, today, there are as many as 160,000. This is probably the largest migration in the history of Norway. It also needs to be mentioned that migration from the Nordic countries and the Western EU countries has increased.

PC: How could you describe a typical work immigrant from Poland (let us call him Jan Kowalski for the sake of this interview). How does he

compare with, say, a typical Ola Nordmann?

L. E.: This is a difficult task, because immigrants from Poland vary substantially, and represent all social groups. They form a whole range of people – from children through the elderly, from academics through carpenters. If we were to create a portrait of an average immigrant from Poland, some people might become offended or feel that they do not fit into this picture.

PC: Still, let us try.

L. E.: Very well then. An average Kowalski works within construction, production or is employed by a job agency. We could use the phrase that he is ‘overrepresented’ in these sectors. If we take a closer look at statistics, we will notice

that a typical Kowalski is present in all groups. I do not know the age average, but I would say that a typical Kowalski is in his 30ies. He is fairly well educated, although not necessarily academically.

PC: What are some of the more typical problem a typical Kowalski faces in Norway? What can be done to minimize them?

L. E.: A few years back, we did some research precisely on this subject. It turned out that an average Kowalski would like to have a permanent job, but is employed only on a temporary basis. He earns less than a typical Ola Nordmann. Another problem he has is not being able to speak Norwegian well enough. A lot depends on his perspective, his plans for the future. If he wishes to live in Norway permanently, this creates more problems than if he just came to stay for a while.

PC: Does he get lonely? Many immigrants from Poland complain about how hard it is to bond with the locals, male-female relationships included.

LE: Yes, he does have fewer contacts than an average Norwegian. He usually works in a Polish environment, does not spend time with the locals, therefore, he does not have many opportunities to come into contact with Norwegians or meet the right girl. In this respect, it is much better among Polish female immigrants. Our research shows that women are more willing to learn Norwegian than men, and hence, they make more friends.

PC: A large number of Polish immigrants to Norway must surely be a challenge for local institutions, such as the tax office, immigration or labor office. If you were to grade Norwegian

institutions as to how they cope with the task, who would get an A, and who – an F?

L. E.: I am not sure I can grade anyone this way. Each one of those institutions has most probably tried to deal with immigrants as best they could. The Norwegian Directorate of Immigration (UDI) is coping better with the registration of applicants. The Service Centers for Foreign Workers (SUA) also perform their tasks and develop, and the Norwegian Labor Inspection Authority (Arbeidstilsynet) does fairly well in contact with immigrants. Other institutions have a few more things to work on. In my opinion, not a lot is done on both the national and local levels in terms of integration. I would grade those institutions responsible for integration between C and D. I cannot praise The Norwegian Labor and Welfare Administration (NAV) too highly either. Despite the fact that NAV has undergone a serious reorganization and should theoretically be ready to perform its tasks as regards labour immigrants, in reality it has not done very much in this matter. I personally think that one of its main obligations should be informing immigrants about their rights, such as benefits, to which they are entitled.

PC: What is, according to your academic knowledge, the main reason for social dumping of immigrants in Norway? In theory, we have everything to fight it – there are legal tools, regulations, good will – but in practical terms, such phenomena still occur. A number of immigrants work in worse conditions than a typical Ola Nordmann, and for a smaller salary.

L. E.: This is a result of at least a couple of factors. Firstly, some employers take advantage of the opportunity to use cheaper, let us say, work force. They willingly omit or break regulations; they simply use social dumping illegally.

Secondly, there are sectors in Norway, where regulations for minimum wage through legally extended collective agreements do not apply. For example, in restaurants, it is still allowed to pay employees below the minimum rate if there is no collective agreement in the company. In short, these are the two most important reasons, and extremely simplified; social dumping is a much more complex problem.

PC: Could you present it for us?

L. E.: When you come to a new country, you do not have your position, contacts, knowledge. You are not part of trade unions. You are a relatively easy target for those employers who are not honest. Employees should be organized, it is easier to face challenges together, and to gain the knowledge necessary to blend in in a new environment, also at work. Research conducted among immigrants in Oslo has revealed an interesting phenomenon. People who have only recently come to Norway, did not feel discriminated against. The feeling that something is not right (e.g. salary is lower than average, work contract is temporary although one would wish for a permanent one) only appeared with time. We became aware of the fact that even in order to realize that one is being discriminated against, one needs to have a certain knowledge and level of integration.

PC: Among the very many opinions on immigration, there are two most extreme. 'Immigrants are taking our jobs, destroying the market', say those who want to emphasize the darker aspects of work immigration. Immigrants, on the other hand, tend to say 'We are building Norway, Norwegians should be thankful.' What is the truth?

L. E.: Work immigration is good for Norway, it contributes to economic growth, and all reports on this subject matter have the same conclusions. Immigrants have to a very little extent been 'taking' jobs from the locals. Besides, the opinion that 'immigrants are destroying the market' is relatively rare in Norway. In Denmark, for example, it is expressed more often. Work immigration is also good for the immigrants themselves as ¾ of them feel they have improved their situation since coming to Norway. Therefore, we have been dealing with a 'win-win' situation here.

PC: To sum up, could you please say a few words about the future of a typical Jan Kowalski in Norway? Can we predict it from statistical data?

L. E.: We know that the next generation, i.e. the children of these immigrants who have recently come to Norway and decided to stay, will be interesting. These will be people speaking good Norwegian, probably multilingual, with a number of career opportunities. They will soon become more noticeable in the Norwegian society. There will be a lot that will connect them to Norway since they have grown up here. They will not have such problems as e.g. the descendants of immigrants from African countries who, because of cultural differences and differences in their looks, have many problems with finding their place in the Norwegian society. A typical Kowalski will, therefore, have the possibility to look closely at how his descendants' generation is developing. At the same time, we need to say something less optimistic at this point. Should matters go in the wrong direction, e.g. the Norwegian economy slows down, the market collapses, macroeconomic data starts deteriorating, a typical Kowalski will feel it sooner and to a larger extent than a typical Ola Nordmann.

„The most important thing is passion for what you do”

Conversation with Magnus Brevig, Assistant Coach for Norwegian Ski Jumping Team

The 2014/2015 season was a huge step forward for the Norwegian ski jumping team. Meet the man who usually keeps a low profile, but who is co-responsible for the success.

Prior to the Interview

I tried to make sure this worked out weeks before the actual meeting. So I wrote an email and that is how it started. Magnus Brevig, Assistant Coach for the Norwegian National Team, agreed to meet and have a chat about his life as a coach, about how it all started, as well as the highs and lows of his career.

In a hotel lobby bustling with people coming and going, I sat there and waited - yes, feeling a little stressed. So when my interviewee showed up, we moved to the hotel bar to discuss business. Here I found myself sitting next to a person who was totally focused on their work, probably feeling a little suspicious at first and not wanting to share too much, but then slightly opening up, so



Photo: Erlend Bjørtvedt

that eventually we ended up with a discussion that held a lot of depth.

The Beginnings

My first question was about his role on the team and his beginnings on the job. He started out at the age of 20. First training kids, then juniors. One day he met Mika Kojonkoski who took him under his wings, and that changed everything. He was a typical leader, authoritative and demanding, but he made things happen. It was tough to learn that way, but it obviously paid off. To this day, Mika Kojonkoski remains one of Magnus Brevig's role models, inspiring him and helping him be better at what he does. So is Clas Brede Bråthen, as well as Alexander Stoeckl, the current coach for the Norwegian National Team. This makes sense, since Austria remains one of the Norwegian team's favorite places to visit, and jumping there (be it live competition or just training) is not only fun, but also constitutes a competitive challenge.

Sport vs. Integration

Since neither of the coach's mentors are originally Norwegian, and me being an immigrant myself, I entered a more shaky territory and touched upon the topic of immigrants. We reached a conclusion that sport is an influential factor in the process of integration and assimilation into the unknown environment of a new country. Hence, it is good to try to encourage immigrants to join local sports clubs; you never know who might be the 'next best thing'.

Recipe for Success

And speaking of good (or even the best!), my next question was what made Norwegian ski jumping so good and if there was a 'recipe for success'. It turns out there is none. Having an objective, measuring your progress and constantly working towards it, patience with what you do, staying focused all the time and reflecting on what has already been achieved are essential, and maybe in that sense they are the recipe. But it most certainly does not happen fast. Or come easily.

On a similar note, the coach has come to discover that his role in the entire team's success is to motivate them, but also to allow them to make mistakes while showing respect and guiding them. Communication, he says, is of utmost importance. Being a strict disciplinarian does not work – training someone means constant cooperation.

Another Day in the Office?

Clearly, Magnus Brevig's job is not your typical office job. When asked how he spends his days at work, he admits a typical day includes training with Anders Jacobsen and Rune Velta from 11 am until 1:30 pm daily, as well as thinking a lot, analyzing. Previous seasons were different. Before, it was much more about organizing meetings, bookings, taking care of the financial side of things, accommodation, etc. This year, however, he said he only wanted to focus on his passion, which is coaching and coaching alone. And what a year this has been for the Norwegian ski jumping team!

The most rewarding aspect of his job, apparently, is seeing the understanding of ski jumping

by an athlete and their becoming independent. He admits that in order to do that, people need the ability to reflect, take responsibility and be patient - the qualities everyone on the team needs to adopt, including the coach. Well, so far so good, and success seems to follow Norwegian ski jumpers everywhere they go.

Not Always...Gold

But what happens when the going gets tough? It is not always about success, and setbacks occur at some point sooner or later. The coach says his main source of strength is his passion for what he does, passion to solve problems, the ability and willingness to stick it out. He rightly observes that when problems occur, people panic, they tend to gossip and eventually lose focus. What they should do, however, is to stop, think, grin and bear it, and just continue. It all sounds so simple, it is almost funny. Yet it seems to work.

100% Passion

As for any potential dislikes in terms of the job, the coach says there is nothing, and it actually scares him a little because he does not even really feel like he has a job. There is no room for disliking anything. It is all about passion for what he does, and he is 100% devoted to it. When he stops and actually thinks about it, there is something a little spine-chilling about it. What a lucky man!

Expectations and Reality

When I sat down preparing to write that email with an interview request, I was sure I was going to get a decline. Similarly, when I was getting ready with the questions, I felt like they were too standard, a tad boring if you will. And right before the interview, sitting downstairs in the hotel, I was really uncertain as to what to expect. It turns out, I met someone with an excellent understanding of human character, as well as a very mature approach to what they do, both of which shone throughout our entire conversation. The goodbye smile dissipated all of my doubts as to whether journalism was what I really should be doing. I hope to meet more such people.

Before you start: What do you need to know before setting up a business in Norway?

Part 2

More and more immigrants have decided to start their business in the land of fjords. Setting up a business in Norway may seem relatively straightforward, but registering your company is just the beginning; the real challenge is to survive on the Norwegian market. One of the most important problems you must consider before starting is what form of incorporation best suits your needs.

Choosing the form of incorporation will be one of your key decisions you need to make as an entrepreneur. To make the right choice, take into account factors such as liability, risk and taxation, as well as the rights and obligations associated with the specific form of incorporation. The most popular forms are aksjeselskap, ansvarlig selskap, enkeltpersonforetak and samvirkeforetak. We have already discussed most of these in our magazine, so let us just recap the most important points.

Enkeltpersonforetak (EPF)

Enkeltpersonforetak roughly corresponds to what we know as sole proprietorship. It is the founder, a natural person, who makes all the business decisions, but also bears full financial liability for the company's obligations.

The owner should be of legal age, but there are exceptions to this rule. While the owner is not required to register for residency in Norway, the company itself must be registered under a Nor-

wegian address. Since the owner is personally responsible for the company's financial liabilities, there is no obligation to bring in the initial capital.

With regard to taxation, taxes are reported on the owner's individual tax return, and the tax on profit is the same as the tax on the owner's income from other sources, such as remuneration for work under an employment relationship.

A sole proprietorship can register for free in the Enhetsregisteret to receive an organisation number. The one-person businesses that employ at least 5 people or are involved in commercial activities are also obliged to register with the Foretaksregisteret (this involves a registration fee).

Aksjeselskap (AS)

Aksjeselskap, abbreviated AS, is similar in many respects to our limited liability companies. The owners are not privately liable for the company's debts.

To register an aksjeselskap, a share capital of NOK 30,000 must be paid up and registered by an auditor or financial institution, such as a bank. The share capital can be paid by contribution in kind.

The shareholders are entitled to receive a dividend or salary if they are employed in the company. Since shareholders are not personally liable for the company's liabilities, dividend payments are subject to strict regulations.

Setting up this type of business also requires compliance with certain procedures. Most importantly, the owners (or owner, since an AS can be set up by one individual) must draw up and sign the articles of incorporation to define the distribution of shares, determine the board of directors

and appoint the auditor or specify that no auditor has been appointed.

Ansvarlig selskap (ANS/DA)

Ansvarlig selskap is a non-capital company whose owners are personally liable for the company's obligations. There type of company can take two forms:

- ansvarlig selskap (ANS), where all owners are held jointly liable for the company's debts and liabilities without limitation;
- selskap med delt ansvar (DA), where each of the owners is only liable for a predetermined percentage of the company's debts, as specified in a founding contract.



The registered office of the company must be located in Norway, but there is no obligation for all the owners to have Norwegian addresses.

To set up a company, the owners must draw up and sign a founding contract, a document specifying the company's objectives and the amount of shares of each owner. Before starting any business activity, a ANS/DA company must be registered with the Foretaksregisteret.

Samvirkeforetak (SA)

This type of business corresponds to Polish co-operatives. None of the owner is privately liable for the company's obligations, and a large proportion of profits remains in the SA or is divided between the members based on their contribution in the enterprise.

A samvirkeforetak can be set up by at least two persons, but not necessarily natural persons; legal persons also qualify to be members. During its operation, a SA must have at least two members as well.

This type of enterprise must be registered in the Foretaksregisteret within three months from the signing of the articles of incorporation.

Forening

Forening is a counterpart to what we know as associations. Its objective can be to carry out humanitarian or social activities, or other similar activities. Membership in an association can be limited to selected people or open for all.

Like a cooperative, every association needs at least two members. They make decisions, but do not own the association's property and are not entitled to any profits from its operation.

The annual meeting of the members has the supreme authority in the association. Most associations also have a board, which is selected during annual members' meetings. Associations involved in business activity must be registered in the Foretaksregisteret. The other associations have the right to register with the Enhetsregisteret.

Stiftelse

Stiftelse is a Norwegian counterpart of our foundation. It can be established by bequeathing

money or property for charitable purposes by way of donation, will or another legal form of disposition.

Every foundation must be registered in the Enhetsregisteret, and the minimum founding capital is NOK 100,000. Organisations carrying out business activity are also required to register in the Foretaksregisteret, and their initial capital, in most cases, must be at least NOK 200,000. A foundation is required to have a board and an auditor.

Allmennaksjeselskap (ASA)

This type of business closely corresponds to Polish public limited companies. ASAa are big companies with a large number of shareholders and often sell their shares publicly. Shareholders' liability is limited: for instance, they are not obliged to pay the company's debts, even in part, unless explicitly stated otherwise.

At NOK 1 million, the minimum share capital for a company of this type is rather high at. An ASA is required to have a board of at least three members and a manager. A gender parity rule applies to the composition of the board.

Norskregistrert utenlandsk foretak (NUF)

Setting up a NUF is one of the most popular ways to carry out business in Norway. It can be used by owners of Poland-based businesses, because NUFs operate as Norwegian branches of a foreign companies. One of the reason why NUFs are so popular is that there are no strict requirements as to its form of incorporation: the Norwegian branch will have the same form as the Polish company; for instance, if you run a private liability company, your Norwegian branch will operate under similar conditions. Note that a NUF is not a separate legal entity, and the foreign company is directly responsible for the business activity carried out by its Norwegian branch.

If the branch does not operate a permanent place of business in Norway and is subject to the provisions of the VAT Act, a Norwegian representative for VAT must be registered. No equity requirement applies to the establishment of a branch.

Branches of foreign companies conducting business activity in Norway must be registered in the Foretaksregisteret. Even if you are not involved in business activity, you still have the right to register in the Enhetsregisteret.

Europeisk selskap (SE-selskap)

Large enterprises (usually public limited companies) involved in transnational activity are subject to the European legislation. A company is entitled to the SE (Societas Europaea) status if it operates in at least two UE or EEA countries.

An SE company can be set up as a merger of two companies operating in different countries or by transforming a parent company operating abroad.

An European Company requires a share capital of EUR 120,000. The company must be registered in the country where its head office is located; it is also subject to the accounting and tax regulations of this country.

As you can see, there are many possibilities, and making the right choice can be difficult. Actually, there are no unimportant decisions in setting up your enterprise, but the form of incorporation is one of the most critical ones, though by no means is it the only one. In the following article, we will discuss other problems, including what name you should choose for your Norwegian enterprise.

To be continued



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Norway: An incubator of the world's leading businesses in 2015

In business-friendly Norway, you can start a company by Web, and all formalities have been reduced to a bare minimum. It is a great country for entrepreneurs. Don't you believe? Here are the 8 proofs that it offers a perfect environment for setting up your business.

Competencies

Norway offers probably the world's best loans and scholarships for those willing to pursue education. The current generation knows the role of good education, and education provided in Norway is highly regarded around the world. Competencies are in great demand these days!

Money

Norway has a number of funds available for building an environment that fosters the development of businesses.

Technology

Norwegians ranks high among the nations that are the first to enjoy technological innovations. They can usually afford new models of equipment, and the tax deduction system favours those who purchase goods for their businesses. High-speed internet, cheap electric power and easy access to the latest solutions provide perfect conditions for people who would like to achieve the dream of having their own enterprise.

Systemic support

Norway offers a variety of sources for financing new businesses. Many entrepreneurs receive

money, subsidies or loans. The financial support system is more than willing to help new entrepreneurs.

Good standard of living

People in Norway are rather well off, and the average resident does not need to worry about their economic situation. With this stability, it is possible to plan ahead and build of a safety net for more difficult times. The average resident is insured, affiliated with a trade union, and well acquainted with the bank, credit and tax consultancy system. When starting a business, he or she always has a Plan B. There's no need to rush things.

Payments on time

What is it that a new company needs most? Customers that pay an adequate price for its services or products. Selling them to Norwegian businesses yields good prices, and the money is always on your account by the payment deadline.

High salaries

Paradoxical as it may seem, high salaries are an advantage, as they make it cost-effective to buy workforce from other markets. For companies that want to develop, outsourcing some departments is an economically viable idea. And it is

more viable to outsource from Norway to Bangladesh than from Bangladesh to Norway.

A “nose” for innovation

Since this year, Innovation Norway, a government-appointed organisation aiming to promote Norwegian commerce, tourism and inventions, will be working even more dynamically than before. Fostering a culture of innovation, it listens to entrepreneurs and a variety of other groups, and

focuses its activities on every area where today’s small changes might become tomorrow’s growing sector of economy.

All in all, Norway has the money to support investments, well-educated people, need for creation, understanding of technology, reliable business partners that pay on time, and the advantage of cheap outsourcing if needed. Can you imagine a better starting point?

Norway is a country worth learning lessons from.

Since Norway offers perfect conditions for innovation, we could learn how to do this effectively as well. Apart from starting a business enterprise, which requires adopting the specific principles of the Norwegian business culture, there is a number of other ways to make the Norwegian lessons useful for many businesses from countries such as Poland. One of them is taking advantage of the Norwegian funds to finance internships, study visits, collaborative projects and other forms of mobility. There are also increasing possibilities for using EU structural funds to carry out projects featuring an international component. On the other hand, Polish institutions often try to find Norwegian partners on their own. Sometimes even a brief study visit and the presentation of needs or achievements by representatives from the Polish sector of public administration, science or business can initiate a long-term, multi-field cooperation with a partner from Norway, provided that Polish side is open to Norwegian inspirations.

If Norway is to be a country offering lessons on innovation, Poland needs to become a learning country, eager to learn the best practices and solutions that have proven effective in very specific conditions. This way, rather than reinventing the wheel, Poland will be able to recognize its own situation, determine its needs and problems to solve, and then assess the usefulness of the Norwegian solutions. There will be many of these to choose from.

Marcin Fronia

Executive Director at Norden Centrum, a Polish research and education centre which provides social and economic analysis of North European countries as well as consultancy on the transfer of knowledge, innovation and best practices to Poland.

Lease, sublease and rental income tax

The taxation of rental income from leasing a dwelling (a house, a flat) is a problem that you should consider if you would like to know whether your income is tax-free and, if not, how it should be reported. Another problem is the taxation of income from property subletting, which works in a slightly different way.



Letting your own residential unit

Tax-free rental income

It is simple: you must live in the apartment yourself and let out its part. In such a scenario, any rental income is usually exempt from tax. There is one condition: you must occupy and use at least a half of the dwelling. The remaining part can be let out tax-free.

You could, for instance, let out one room in a two-room apartment and share the kitchen and bathroom with your tenant, or you could let out your basement flat while occupying the upper floor of a house. As long as the area used by the owner exceeds half the total area of the flat or house, the income from renting the remaining portion is exempt from tax.

Example scenario 1

The tenant rents a room with a floor area of 30 m². The flat owner (the landlord) lives in another room with a floor area of 20 m². The tenant and the landlord share the remaining portion of the flat (the kitchen, bathroom and hall) with a total floor area of 20 m².

The income from renting the 30 m² room will not be taxed, as the landlord occupies and uses 40 m² (including the 20 m² room and the 20 m² shared area) of the total floor area, which is 70 m².

Example scenario 2

The owner of a house featuring two independent flats, one at ground floor/basement level and the other one on the upper floor, lets out

the basement flat while occupying the upper-floor flat. The area of the basement flat and the upper-floor flat is, respectively, 60 m² and 65 m². The income from letting out the basement flat will be exempt from tax.

Taxed rental income

Rental income from letting out a dwelling unoccupied and unused by its owner, or used only in a small portion (less than half of the total floor area), is usually subject to tax.

This also applies to a situation where the owner occupies the property only for a short time of a year (for instance, if he or she has several apartments, is registered for permanent residency in one of them and lives in the remaining ones for short period of times).

Exception: An annual rental income of less than NOK 20,000 is tax-free.

However, if the total rental income exceeds NOK 20,000, the tax will be calculated against the whole income, not just against the amount over NOK 20,000. The rental income tax is 27 per cent.

Deducting expenses

But even if your income is subject to the rental income tax, you may find it comforting that the taxable income can be reduced by maintenance expenses incurred in connection with the rented property, such as municipal and utility charges, as well as costs of renovation, key duplication, property insurance, etc.

Example scenario

The landlord lets out a flat which he does not occupy himself, and the annual rental income is NOK 120,000. The yearly maintenance expenses incurred include: for municipal and utility charges of NOK 6,000 and insurance fees of NOK 10,000. The landlord has also spent NOK 20,000 on bathroom renovation.

In this scenario, the taxable income is calculated as follows: NOK (120,000 - 6,000 - 10,000 - 20,000), which gives NOK 84,000.

Reporting

If the rental income is subject to tax, the landlord will be required to file an additional form along with the tax return (if the tax return is submitted electronically, the form will be integrated with the

return, and the resulting profit or loss will be transferred to the personal tax return).

Renting a summerhouse

The rules are slightly different when renting a summerhouse (hytte).

If you use your hytte yourself during some periods of a year, the rental income you make during the remaining periods is tax-free for up to NOK 10,000 a year.

If the income exceeds NOK 10,000, first deduct 15 per cent from the amount over NOK 10,000 and then apply a 27 per cent tax to the remaining 85 per cent.

Example scenario

The owner of a summerhouse (hytte) in Hardangervidda hates winters and visits the house only in summer. During the winter season and the Easter holiday, the house is let out to cross-country skiers.

The total yearly income from renting the hytte is NOK 15,000,

of which NOK 10,000 is tax-free, and the remaining NOK 5,000 is taxed as follows:

NOK 5,000 x 85 per cent x 27 per cent = NOK 1,147.5 (rounded up to NOK 1,148)

If the owner does not use the hytte at all and only rents it to others, the 27 per cent tax rate will apply to the total income from rental.

Sublease

The tax rules that for homeowners letting their own house, flat or summerhouse do not apply to subleasing. Before we discuss this, let us briefly review regulations on subleasing, as it is a popular solution among Poles living in Norway.

General remarks

A sublease (framleie) is an agreement by which someone rents a residential unit (a house, an apartment) from the owner and then lets out its part (e.g. a room or several rooms) to a third party (e.g. to work colleagues). How does this work from a legal point of view? Is it allowed? Usually, it is but requires the landlord's consent.

Types of sublease

Subleasing involves permitting a third party to use a property being rented or a part thereof.

This may take place when, for instance, when the tenant (that is, the person who has a lease

agreement with the landlord) moves out of the rented property for some period of time or, when the tenant hires the whole floor and decides to sublet a room or several rooms to other people.

Subletting provisions are set out in Chapter 7 of the Tenancy Act (Husleieloven).

The landlord and the tenant. The tenant and the subtenant.

No contract exists between the landlord/owner and the subtenant. The landlord enters into a tenancy agreement (the principal agreement) and is in contact with the principal tenant, and the principal tenant enters into an agreement and is in contact with the subtenant.

This means that there is no requirement to provide the landlord with details of the sublease agreement, including the term of the agreement, provided the subtenant pays the rent; when entering into the sublease agreement. However, the tenant must take into account the provisions of the principal tenancy agreement in this respect (see below).

It is the landlord that has the right to allow or disallow subleasing the property.

Obtaining sublease approval

As a rule, a property or its part cannot be sublet without the landlord's approval.

The principal agreement between the landlord and the principal tenant can specify whether the tenant has the right to sublet the rented property in whole or in part.

Otherwise, if the tenant wants to sublet the property, a written request for approval should be submitted to the landlord. Then the landlord should either approve or deny the request – also in writing.

If the landlord fails to reply to a written request for sublease approval within one month, this is considered to be a silent approval.

Exceptions

The basic rule is that a property cannot be subleased without the landlord's approval. However, there are several situations where the tenant can sublet the whole property or its part without the landlord being able to deny the approval. They are as follows:

Subletting part of the property (*delvis framleie*)

If the tenant occupies a property and would like to sublet a part of the property, the landlord/

owner cannot refuse to grant the approval unless this would result in obvious overcrowding or if the prospective subtenant's behaviour presents reasonable causes for denying the approval.

For instance, the landlord can deny the approval if the subtenant breached a previous tenancy agreement or failed to comply with tenancy regulations, e.g. by disturbing the night quiet time etc.

Examples

Example scenario 1.

Adam rents a 3-room flat with a floor area of 70 m² from a landlord. He wants to occupy one room and sublet the 2 remaining rooms to his two colleagues. They would all share the kitchen and bathroom.

The landlord cannot deny his consent for subletting the 2 rooms.

Example scenario 2.

Jan rents a one-room flat with a floor area of 30 m². He would like to sublet its part to his 8 colleagues working at the same construction site.

The landlord can withhold his consent, since 30 m² per 9 tenants is by far not enough (note, for the sake of comparison, that this corresponds to the area per inmate in some Polish prisons...)

(The Norwegian law does not strictly specify how many people can live on a given floor area or how many tenants can rent a property with a given floor area, but in some cases it is quite obvious that the property would be overcrowded).

Example scenario 3.

Marcin rents a flat and would like to sublet a part of it to his friend Stefan. The owner of a flat where Stefan lived in before gave him notice due to neighbours' complaints about noise at night. Marcin's landlord has learnt about that, and consequently, may deny subletting the flat to Stefan.

Subletting while away

A residential property can be sublet for a period of up to 2 years while the principal tenant is away.

Conditions:

- The tenant must have occupied the property before, and must have the intention to occupy it again after the cessation of the factors that cause his or her temporary absence.
- There must be a valid reason for the tenant's absence, such as mandatory military service, work, studies or illness.

If these conditions are satisfied, the landlord will only have the right to deny sublease if it would result in obvious overcrowding or if the prospective subtenant's behaviour (e.g. failure to comply with tenancy regulations, disturbing the night quiet time, etc.) presents reasonable reasons to do so.

Examples

Example scenario 1.

Marek is a student renting a one-room flat. He is going to Germany for 6 months on an Erasmus programme and would like to sublet the flat to his friend Ania, who is known to be a quiet, respectable person.

The landlord cannot deny the sublease.

Example scenario 2.

Ola rents a flat in Oslo, but has been just offered an excellent job in Bergen and signed a permanent employment contract. Ola tells the landlord that she might return to Oslo in a year or two, but for the time being, she would like to sublet the flat to her friends Joanna and Alicja.

This is a problematic scenario: knowing Ola's job situation, the landlord has a reason to assume that she will not be returning to Oslo, as she has found a permanent job in Bergen. The landlord might prefer to terminate the tenancy agreement with Ola and sign new agreements directly with Joanna and Alicja.

On the other hand, unless there is a valid reason, it should not be presumed that the tenant is lying and does not plan to return.

Subleasing if the principal tenancy agreement is a fixed-term agreement

If the principal tenancy agreement (ie. the agreement between the landlord and the principal tenant) has been concluded for a fixed period of time, the principal tenant may enter into a sublease agreement until the end of the principal agreement.

For instance, if the term of the principal agreement is 3 years and there is still one year until its expiry, the tenant can enter into a sublease agreement for the remaining year.

When subletting a property renter for a fixed period, it is absolutely necessary to obtain the landlord's consent, who may or may not grant it. (The exceptions discussed above do not apply). However, if the landlord denies the sublease, but the denial is not justified by the fact that the sublease would result in obvious overcrowding or by

the prospective subtenant's behaviour, the principal tenant may terminate the tenancy agreement subject to the statutory notice period specified in Section 9-6 of the Tenancy Act, that is:

- 3 months in the case of renting a whole flat;
- 1 month in the case of renting a single room (this also applies to the rental of garages, store-rooms, etc.);
- 1 day if the agreement specifies the daily rent.

Sublease income tax

A tenant who sublets a rented dwelling or its part is not treated in the same way as the landlord, regardless of whether they occupy the property and use its greater portion.

Sublease income is generally subject to tax on capital income. But this does not mean that tenants who sublet dwellings or parts of dwellings actually pay the sublease income tax. More often than not, that is not the case. Why? Because the only amount of income subject to tax is the difference between the rent received from the subtenant and the rent payable to the landlord.

Since in most cases, the former does not exceed the latter, there is no tax due.

If, however, the subtenant's rent is higher than the tenant's rent under the principal tenancy agreement, the difference is taxable as capital income.

Examples

Example scenario 1.

Tomek rents a flat from a landlord in Norway and sublets 2 rooms to Zbyszek. Tomek's rent for the landlord is NOK 8,000 a month (NOK 96,000 a year); Zbyszek pays him NOK 4,000 (NOK 48,000 a year) for the 2 subleased rooms.

Tomek's rent exceeds his income from the sublease, which means he is not required to pay any sublease income tax.

Example scenario 2.

Joanna rents a flat from a landlord and pays a rent of NOK 80,000 a year. She leaves Norway for a year and, with the landlord's consent, sublets the flat to Marta. According to the sublease agreement, Marta shall pay a rent of NOK 108,000 a year.

Joanna taxable sublease income will be NOK (108,000 - 80,000), that is, NOK 28,000.

Sources: own works, Skatteetaten

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