

Shipping Group newsletter*

New VAT Act

Norway

11. February 2010

Special VAT exemptions are automatically repealed July 1st 2010 – Businesses must apply to the VAT authority in order to renew the exemptions

The New Value Added Tax Act which entered into force on 1 January 2010 repeals previous exemption from VAT granted pursuant to § 70 of the former VAT Act. The change implies that companies that have not collected VAT because of such a special exemption are required to charge and collect VAT now, unless the companies apply for continuation of the exemption within 30. June 2010.

Shipping:

Examples of § 70 VAT exemptions that may be affected in relation to shipping-related areas:
(the list is not intended to be exhaustive)

Exemption for ship brokerage services:

Ministry of Finance's decision F 30/7-01 pursuant to the VAT Act § 70 provided an exemption for sale of ship brokerage services to Norwegian shipping companies or contractors with respect to vessels that immediately are to be used in international traffic or operations in connection with petroleum activities at sea.

The new VAT Act does not contain any provisions that implement the present exemption for ship broking services regarding vessels immediately to be used in international operations, and consequently such services are liable to VAT unless an application is filed within 30. June 2010.

Exemption for sales of vessels under 15 meters

The provisions of former VAT Act § 17 (1) No. 1 had some special rules for vessels "at least 15 meters in maximum length". Pursuant to § 70 an exemption has been granted for vessels under 15 meters, but more than 25 gross register tons.

The VAT exemption is not continued in the new law. This means that affected businesses should apply for a continuation of the exemption within 30 June 2010.

Exemption for telecommunications

For telecommunication traffic from vessels in international traffic, the Ministry of Finance has pursuant to the VAT Act § 70 granted exemption for telecommunication services provided by the vessel's radio station from VAT liability. "Televerket" (Norwegian Telecom) was simultaneously relieved from the obligation to calculate VAT of costal tariff share and liner tariff share that are charged to the shipping companies for participation in the telecommunication traffic of ships in foreign trade. Moreover, an exemption was granted for telecommunication traffic from vessels in domestic traffic performed by the vessel's radio station.

The Ministry of Finance has in a discussion document expressed uncertainty as to whether the exemption is of any practicality today, and has stated that under every circumstance the VAT liability for such telecommunication services should be determined based on the general rules. The Ministry has therefore chosen to continue this exemption under the new VAT Act. This means that there should be no need to apply for a renewal of this VAT exemption.

Risk:

There is a risk that businesses that presently do not collect VAT on the basis of § 70 exemptions could fail to collect VAT on services that are subject to VAT under the new VAT Act.

What should be done:

The business must identify possible VAT exemptions. It must be considered whether the former VAT exemptions are incorporated in the VAT Act or regulations issued by the Ministry of Finance. If this is not the case, the businesses must apply for a new § 70 VAT exemption or charge the relevant services with VAT.

One can apply for a new VAT exemption under § 70 from the time the new VAT Act entered into force i.e. 1. January 2010. This means that enterprises / businesses that previously had based their VAT handling on a § 70 exemption, which is not continued in the new VAT Act, should apply immediately.

Contacts

For more detailed information, please do not hesitate to contact your VAT contacts or your local PwC contact

National VAT

Marit Barth
Attorney/Manager – Oslo. Tel. + 47 9526 0496,
or marit.barth@no.pwc.com

Lars H. M. Flatåker
Associate Attorney/Senior Associate – Oslo.
Tel. + 47 9526 0525, or lars.flataker@no.pwc.com

Kari B. Trones
Associate Attorney/Senior Associate – Bergen.
Tel. + 47 9526 0635, or kari.trones@no.pwc.com

National

Svein T. Sønning
Partner Tax – Kristiansand. Tel. +47 9526 1071

Rita Granlund
Partner Assurance – Oslo. Tel. +47 9526 0237

Steinar Hareide
Partner Tax – Oslo. Tel. +47 9526 0429

Stavanger

Torbjørn Larsen
Partner – Assurance. Tel. +47 9526 1096

Kjell Inge Gade
Partner – Tax. Tel. +47 9526 1175

Bergen

Jon Haugervåg
Partner – Assurance. Tel. +47 9526 1300

Dag Saltnes
Partner – Tax. Tel. +47 9526 0632

Kristiansand

Torstein R. Robstad
Partner – Assurance. Tel. +47 9526 1020

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