

International Tax News*

Fiscal budget 2010 – tax proposals

Norway

Issue 6, 13 October 2009

Today the reigning red-green coalition government released its proposed 2010 fiscal budget. Most of the tax proposals relate to individuals and will have little significance for cross border investments.

General observations

The red-green coalition has been in office since the 2005 elections, and recently won a majority for another four years. Although the government has pledged not to increase the overall tax revenues, redistribution of wealth is high on the tax policy agenda. With this in mind, the government has signalled that they will evaluate the 2004-2006 tax reform but has not given any time frame.

The current budget proposal predominantly affects taxation of resident individuals and will have little impact on cross border investments into or from Norway.

Tonnage tax – currency hedging

Under the Norwegian tonnage tax regime, profit and gains related to shipping activities are exempt from taxation, whereas financial income is, as the main rule, subject to ordinary taxation at 28 %.

Gains and losses upon currency hedging are currently taxed according to the main rule for taxation of financial income within the tonnage tax regime. In order to increase shipping companies' flexibility with regards to currency hedging when e.g. contracting ships, the Government now proposes that such gains and losses are subject to proportionate taxation/deduction mainly in accordance with the taxation of currency gains and losses on receivables/debts, and interest costs, which are taxable/deductible corresponding to the proportion between the company's finance capital and total book capital.

According to the proposal for taxation of currency hedge gains/losses, the asset values for calculating the proportion

between the finance and total book capital will be determined at year-end. This differs from the asset valuation timing when calculating the taxable currency gains/losses and interest costs, whereby the assets are valued at the average between the value at the beginning of the year and year-end.

The new rules are proposed to be effective for new currency hedging agreements that are entered into from 1 January 2010 onwards.

Net wealth tax – valuation of real property

The government has proposed a new valuation regime for real property used in a trade or business.

In the fiscal budget for 2009 the parliament adopted new rules for valuation of rental property and today's proposal is a continuation of these rules.

The proposal is formula based and will use reported rental value for similar properties as a basis for computing a rate value per square feet. The rate will be geographically differentiated. The value for net wealth tax purposes will equal 40% of the computed value.

Contacts

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

Oslo:

Aleksander Grydeland
+47 95 26 01 62
aleksander.grydeland@no.pwc.com

Hilde Thorstad
+47 95 26 05 48
hilde.thorstad@no.pwc.com

Eyvind Sandvik
+47 95 26 02 70
eyvind.sandvik@no.pwc.com

Stavanger:

Kjell Inge Gade
+47 95 26 11 75
kiell.inge.gade@no.pwc.com

Bergen:

Dag Saltnes
+47 95 26 06 32
dag.saltnes@no.pwc.com

Kristiansand:

Svein T. Sønning
+47 95 26 10 71
svein.t.sonning@no.pwc.com

* * *

*If you do not wish to receive our newsletter, please
reply to this message with:
"unsubscribe International Tax News"*

The information contained in this publication should not be relied on as professional advice and should not be regarded as a substitute for advice in individual cases. No responsibility for any loss occasioned to any person acting or refraining from action as a result of material in this publication is accepted by the author or the publisher.

page

2