

Shipping Group newsletter*

Norway

01. October 2009

Flag requirement under the Norwegian tonnage tax system for the income year 2009

Norwegian tonnage taxed companies are on certain conditions subject to flag requirements. The flag requirements apply if the total share of EU/EEA flagged tonnage in Norwegian tonnage taxed companies decreased during the previous income year.

The Norwegian Ministry of Finance has on 29 September 2009 announced that a flag requirement will apply to companies taxed under the Norwegian tonnage tax system for the income year 2009 because the share of EU/EEA flag within the tonnage tax system was reduced from 77.58 percent to 73.93 percent during 2008.

This implies that from 1 January 2009 all tonnage taxed companies must in principle have at least the same share of EU/EEA flagged net tonnage as the company had on 1 July 2005 or at the time the company entered into the tonnage tax system (if this was after 1 July 2005). An exemption applies if the total share of EU/EEA flagged net tonnage in the relevant company is 60% or higher.

If a tonnage taxed company has controlling interest in another limited company or partnership according to the Norwegian Accounting Act, the share of EU/EEA tonnage is calculated jointly (consolidated) for the parent and subsidiary. The total tonnage in the subsidiary is allocated to the parent company even if the parent company's ownership interest is lower than 100%. No flag requirement applies to partnerships where no tonnage taxed company holds casting vote.

Companies/ groups of companies that have reduced their share of EU/EEA flagged tonnage compared to 1 July 2005/ time of entry into the tonnage tax system must increase their share of EU/EEA tonnage back to the original level within two months from the announcement of

the flag requirement from the Ministry of Finance on 29 September 2009. This implies that the share of EU/EEA flagged tonnage must be brought back to the original level at latest 29 November 2009.

The announcement from the Ministry of Finance can be read on the following webpage:

<http://www.regjeringen.no/nb/dep/fin/aktuelt/nyheter/2009/flaggkrav-i-rederiskatteordningen-for-20.html?id=578385>

Contacts

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

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