

**Chandrawat
& Partners**

DOING BUSINESS IN NORWAY

A comprehensive guide on doing business

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Introduction

Norway, a country known for its breath-taking natural landscapes, rich cultural heritage, and high quality of life, offers a multitude of opportunities for both professionals and businesses. Located in Northern Europe, Norway is a Scandinavian nation that stands out for its robust economy, political stability, and progressive policies.

When considering working in Norway, professionals are met with a host of benefits and opportunities. The country consistently ranks highly in global surveys measuring quality of life, education, healthcare, and safety. The Norwegian education system is renowned for its excellence, nurturing a highly educated and skilled workforce. and international talent.



Norway's thriving economy is another key factor that attracts professionals and businesses. The nation has one of the highest ("GDP") per capita rates in the world, and its economic growth has remained steady over the years. The Norwegian government has actively fostered an environment conducive to business growth and innovation. It has implemented policies and initiatives to attract foreign direct investment ("FDI"), with a focus on sectors such as renewable energy, technology, maritime, finance, and tourism. Foreign companies operating in Norway enjoy the same rights and obligations as domestic businesses, ensuring fair competition and equal opportunities.

Economic overview

Norway, located in Northern Europe, is a prosperous and well-developed country with a strong and stable economy. Its economic success is built on a combination of factors, including its rich natural resources, robust industrial sectors, social welfare system, and prudent fiscal policies. The key elements that have contributed to Norway's economic growth and stability are,

Natural resources and energy sector: One of the primary drivers of Norway's economy is its abundance of natural resources, particularly oil and gas reserves. Norway is a major global producer and exporter of oil and gas, thanks to its offshore oil fields in the North Sea. The petroleum industry has played a vital role in shaping Norway's economic landscape, generating substantial revenue and creating numerous job opportunities. Hydropower accounts for a significant portion of Norway's electricity production, making it one of the largest producers of renewable energy in Europe. Additionally, Norway has been investing in wind power and has set ambitious goals to expand its renewable energy capacity.

Industrial sectors: In addition to the energy sector, Norway has a diverse range of industries that contribute significantly to its economy. The maritime industry, for example, is a vital sector, encompassing shipping, shipbuilding, and offshore operations. Norwegian companies are at the forefront of technological advancements, particularly in areas such as telecommunications, software development, and clean technology. Norway also boasts a robust and sustainable seafood industry. As a major exporter of seafood, the country has a thriving aquaculture sector, with fish farming playing a crucial role in meeting global demand for salmon, trout, and other fish products.



Social welfare system: Norway is renowned for its comprehensive social welfare system, which promotes social equality, stability, and a high standard of living. The government's commitment to social welfare is reflected in its provision of universal healthcare, accessible education, and extensive social security programs. The Norwegian healthcare system offers universal coverage and ensures that all residents have access to high-quality medical services. Education is highly valued in Norway, and the country provides free education for its citizens from primary school through university.

Fiscal responsibility and sovereign wealth: Norway is known for its prudent fiscal policies and responsible management of its resources. The government has implemented a strict fiscal rule, known as the "spending rule," which limits the use of petroleum revenues to prevent overheating the economy. This rule ensures that a significant portion of oil and gas revenues is saved for future generations through the Norwegian oil fund. The Norwegian oil fund is one of the world's largest sovereign wealth funds, designed to provide long-term financial security for the country.

International trade and economic partnerships: Norway has a highly open economy and is actively engaged in international trade. As a member of the European Economic Area ("EEA"), Norway benefits from access to the European single market, facilitating trade and investment with European Union ("EU") member states. The country has also signed various free trade agreements with countries around the world, expanding its global trade network. Norwegian companies have a strong presence in international markets, exporting a wide range of goods and services. Key export sectors include petroleum and petroleum products, machinery, metals, seafood, and chemicals. Norway's reputation for quality, sustainability, and innovation has helped its businesses establish a strong global presence.



Key sectors

Norway has a diverse range of key sectors that contribute significantly to its economy. These sectors leverage the country's natural resources, technological advancements, and skilled workforce. In this section, we will explore some of the key sectors in Norway that present promising opportunities for business and investment.

Energy and petroleum: The energy sector, particularly petroleum production and renewable energy, plays a crucial role in Norway's economy. Norway is one of the largest producers and exporters of oil and gas in Europe, with substantial reserves in the North Sea. The petroleum industry has driven economic growth and contributed to the country's wealth through revenue generation and job creation.

Technology and innovation: Norway has a thriving technology sector, driven by innovation, research, and development. The country has a well-developed ICT infrastructure, supporting technological advancements and digitalization. Norwegian companies excel in areas such as telecommunications, software development, digital services, and clean technology. Norway's commitment to sustainability and environmental stewardship has fostered the growth of the clean technology sector.

Seafood and aquaculture: Norway is renowned for its high-quality seafood, particularly salmon, trout, and cod. The country's seafood industry is a major contributor to its economy, with a strong focus on sustainable aquaculture practices. Norway's cold and clean waters provide ideal conditions for fish farming, ensuring the production of healthy and environmentally-friendly seafood products.

Finance and fintech: Norway has a well-developed financial services industry, with a strong emphasis on stability, transparency, and digitalization. The country's banks are known for their conservative practices and robust risk management systems. Norway has a high rate of financial inclusion and sophisticated banking infrastructure.

Tourism and hospitality: Norway's natural beauty, including its fjords, mountains, and Northern Lights, attracts a significant number of tourists each year. The tourism and hospitality sector contributes to the country's economy through accommodations, transportation, outdoor activities, and cultural experiences. The demand for sustainable and authentic travel experiences has led to the development of niche tourism segments, such as ecotourism, adventure tourism, and cultural tourism. There are opportunities for investment in accommodations, tour operators, transportation services, and sustainable tourism initiatives.

Foreign Direct Investment Policy

Foreign direct investment (“FDI”) plays a vital role in Norway's economy, contributing to economic growth, job creation, technology transfer, and innovation.

Incentives for foreign investors:

To attract foreign investment research and stimulate economic growth. Some of the key incentives available to foreign investors in Norway include:

- 1. Tax incentives:** Norway provides several tax incentives to promote investment and business activities. These include reduced corporate tax rates, tax deductions for research and development (R&D) expenses, and tax exemptions for qualifying dividends and capital gains.
- 2. Grants and financial support:** The Norwegian government offers grants and financial support to foreign investors in sectors such as renewable energy, clean technology, and innovation. These grants can help cover (“R&D”) costs, infrastructure development, and other investment-related expenses.
- 3. Innovation and research support:** Norway has a strong focus on innovation and research, and foreign investors can benefit from various support programs and funding schemes aimed at promoting research and development activities. These programs provide financial assistance, expertise, and access to research networks and facilities.
- 4. Regional investment support:** The Norwegian government provides targeted support for investment in certain regions, particularly those with lower economic activity or high potential for development. These regional investment schemes offer financial incentives, infrastructure support, and other benefits to attract investment and stimulate growth in specific areas.



Advantages

Doing business in Norway offers several advantages that make it an attractive destination for entrepreneurs and investors. Here are some key advantages of doing business in Norway:

1. Stable and transparent business environment:

Norway has a stable political and economic environment, providing a solid foundation for businesses. The country is known for its low corruption levels, efficient bureaucracy, and transparent business practices. The rule of law and respect for property rights are upheld, ensuring a secure and predictable business environment.

2. Access to European and global markets:

Norway is a member of the European Economic Area (EEA), which grants it access to the European single market. This provides businesses with opportunities to trade freely with other EEA member states and access a market of over 500 million consumers. Norway also has a well-developed transportation and logistics infrastructure, facilitating trade with global markets.

3. Strong infrastructure:

Norway has a modern and well-maintained infrastructure, including transportation networks, digital connectivity, and energy supply. The country invests significantly in infrastructure development, ensuring efficient transportation of goods and services. The reliable energy supply, particularly in renewable energy sources, supports sustainable business operations.

4. Innovation and technological advancement:

Norway has a culture of innovation and invests heavily in research and development. The country ranks high in global innovation indices and is known for its expertise in sectors such as clean energy, technology, and maritime operations. The government provides support for innovation and encourages collaboration between businesses, research institutions, and universities.

5. Natural resources:

Norway is rich in natural resources, particularly oil, gas, minerals, and forests. These resources contribute to the country's economic growth and provide opportunities for businesses in sectors such as energy, mining, and forestry. Norway's commitment to sustainable resource management ensures responsible and environmentally-friendly practices.

Types of Businesses

In Norway, there are several types of business entities that entrepreneurs can choose from, depending on their needs, objectives, and legal requirements. The most common types of business entities in Norway include:

1. Sole proprietorship (Enkeltpersonforetak): A sole proprietorship is the simplest and most common form of business entity in Norway. It is owned and operated by a single individual who assumes full responsibility for the business's liabilities and obligations. The owner reports business income and expenses on their personal tax return and is personally liable for any debts or legal issues.

2. General partnership (Ansvarlig Selskap): A general partnership is formed when two or more individuals or companies join together to operate a business. Each partner contributes to the business's capital, shares profits, and losses, and has unlimited personal liability for the partnership's obligations. A partnership agreement outlines the rights, responsibilities, and profit-sharing arrangements between partners.

3. Limited partnership (Kommandittselskap): A limited partnership is similar to a general partnership, but it has two types of partners: general partners and limited partners. General partners have unlimited personal liability, while limited partners have limited liability and are not involved in the day-to-day management of the business. Limited partners' liability is limited to the amount they have invested in the partnership.

4. Private limited liability company (Aksjeselskap - AS): A private limited liability company is a separate legal entity from its owners and provides limited liability protection to its shareholders. Shareholders' liability is limited to their capital contribution to the company. A private limited company requires a minimum share capital of NOK 30,000, and its operations are governed by the Norwegian Companies Act. AS companies are suitable for medium to large-scale businesses.

5. Public limited liability company (Allmennaksjeselskap - ASA): A public limited liability company is similar to a private limited company but is listed on a stock exchange and can offer its shares to the public. It requires a minimum share capital of NOK 1 million and is subject to additional regulations and reporting requirements compared to private limited companies. ASA companies are typically larger and have more complex corporate structures.

6. Branch office (Filial): Foreign companies can establish a branch office in Norway to conduct business activities. A branch office is not considered a separate legal entity but operates as an extension of the parent company. The parent company is responsible for the branch's liabilities, and the branch must comply with Norwegian laws and regulations.

Eligibility Criteria

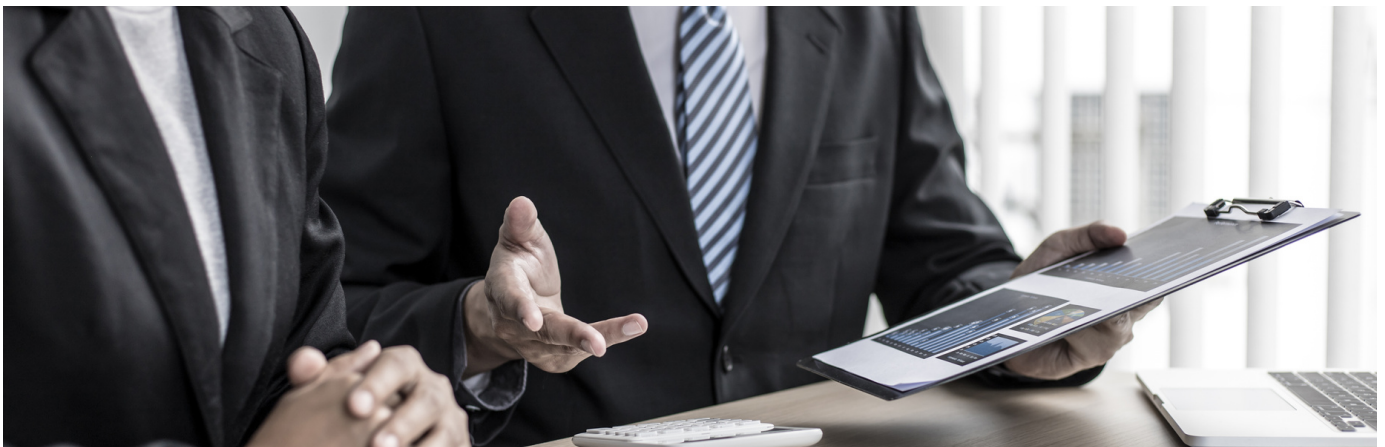
To register a company in Norway, there are certain minimum eligibility criteria that must be met. These criteria ensure compliance with Norwegian laws and regulations and help maintain the integrity of the business environment. The minimum eligibility criteria for company registration in Norway include:

Legal age and competence: The minimum legal age to establish a company in Norway is 18 years. The person or persons involved in company registration must be of legal age and have the necessary legal competence to enter into business contracts and agreements.

Norwegian identification number: To register a company in Norway, individuals must have a Norwegian identification number. Norwegian citizens have a personal identification number known as "fødselsnummer," while foreign individuals have a "D-number" or "H-number" issued by the Norwegian Tax Administration. This identification number is essential for individual shareholders, directors, and authorized representatives involved in the company registration process.

Registered address: A registered address in Norway is required for company registration. This address serves as the official location of the company and is used for legal correspondence and communication with authorities. The registered address can be a physical office or a virtual office arrangement.

Share capital: Certain types of business entities, such as private limited liability companies (AS), require a minimum share capital. The current minimum requirement for a private limited liability company in Norway is NOK 30,000. The share capital must be deposited in a Norwegian bank account and can be used for the company's operations.



Articles of association: Companies registering in Norway must have articles of association. The articles of association outline the company's name, purpose, organizational structure, share capital, shareholder rights, management structure, and other essential details. The articles of association must comply with the requirements of the Norwegian Companies Act.



Board of directors: For certain types of business entities, such as private limited liability companies (AS), it is mandatory to have a board of directors. The board of directors is responsible for managing the company's affairs, making strategic decisions, and ensuring compliance with legal obligations.

Compliance with regulatory requirements: Companies must comply with various regulatory requirements, including tax registration, social security contributions, and VAT registration if applicable. It is essential to adhere to the reporting obligations of the Norwegian Tax Administration, the Norwegian Register of Business Enterprises, and other relevant authorities.



Permits and licenses: Depending on the nature of the business activities, specific permits and licenses may be required for certain industries. For example, businesses in the finance, healthcare, or food sectors may need additional licenses or certifications to operate legally in Norway. It is crucial to identify and obtain the necessary permits and licenses before commencing operations.

How to set up a business?

Setting up a business in Norway involves several key steps. While the exact process may vary depending on the type of business entity and industry, here is a general overview of the steps involved in setting up a business in Norway:

- 1. Business idea and planning:** Develop a clear business idea and conduct thorough market research to assess the viability of your business concept. Create a comprehensive business plan that outlines ones objectives, target market, products or services, marketing strategies, and financial projections.
- 2. Choose a business structure:** Select the most appropriate business structure for the venture, considering factors such as liability, tax implications, and ownership structure. Common options include sole proprietorship, general partnership, limited partnership, private limited liability company (“AS”), and public limited liability company (: ASA”).
- 3. Register with the Norwegian Register of business enterprises:** Register the business with the Norwegian Register of Business Enterprises (Brønnøysundregistrene). This can be done online through the Altinn portal or by submitting the necessary forms in person. Provide details about the company, including its name, registered address, purpose, management structure, and share capital (if applicable).
- 4. Obtain necessary permits and licenses:** Determine if the business requires any specific permits, licenses, or certifications to operate legally. This varies based on the industry and activities involved. Contact the relevant authorities or regulatory bodies to determine the specific requirements and application processes.
- 5. Register for taxes and VAT:** Register the business with the Norwegian Tax Administration (Skatteetaten) to obtain a tax identification number (Organization Number) and register for applicable taxes, such as corporate tax, value-added tax (VAT), and employer taxes. Familiarize yourself with the tax obligations and reporting requirements.
- 6. Secure financing:** Identify and secure the necessary funding for the business. This may involve self-funding, seeking investors, applying for business loans, or exploring government grants and funding programs. Prepare a detailed financial plan and present it to potential investors or financial institutions.
- 7. Marketing and launch:** Develop a marketing strategy to promote the business and generate awareness. Create a website, establish a social media presence, and explore various marketing channels to reach your target audience. Plan and execute a launch strategy to introduce the business to the market.

Taxation

Taxation in Norway is based on a progressive tax system, where individuals and businesses are taxed at different rates depending on their income and profits. Here is an overview of the taxation system in Norway:

1. Personal income tax: Residents of Norway are subject to personal income tax on their worldwide income. Non-residents are subject to tax on their income derived from Norwegian sources. The personal income tax rates in Norway range from 22% to 47.8%, with higher rates applying to higher income brackets. The tax rates are progressive, meaning that individuals with higher incomes pay a higher percentage of tax on their earnings.

2. Corporate income tax: Companies registered in Norway are subject to corporate income tax on their profits. The standard corporate tax rate is 22%, which applies to taxable income up to NOK 10 million. For taxable income above NOK 10 million, a higher rate of 25% is applied. However, small businesses with low profits may be eligible for reduced tax rates.

3. Value added tax ("VAT"): Value Added Tax, known as "Merverdiavgift" (MVA) in Norway, is a consumption tax imposed on the sale of goods and services. The standard VAT rate is 25% and is applied to most goods and services. However, there are reduced VAT rates of 15% and 12% that apply to certain goods and services, such as food and public transportation.

4. Capital gains tax: Capital gains derived from the sale of assets, such as stocks, real estate, and business assets, are subject to capital gains tax in Norway. The tax rate for capital gains varies depending on the type of asset and the holding period. For individuals, capital gains are generally subject to regular progressive income tax rates.

5. Dividend tax: Dividends received by individuals from Norwegian companies are generally subject to a flat tax rate of 22%. However, certain exemptions and deductions may apply, depending on the ownership structure and specific circumstances. Non-residents may be subject to a higher withholding tax rate on dividends.



Accounting standards

In Norway, accounting standards are governed by the Accounting Act and the Norwegian Accounting Standards Board (NRS). The key accounting standards in Norway include Generally Accepted Accounting Principles (“GAAP”), Norwegian Accounting Standards (NRS), and International Financial Reporting Standards (IFRS). GAAP encompasses various rules and regulations that guide the preparation of financial statements in accordance with the Accounting Act. NRS provides specific guidelines and interpretations on accounting topics and aligns with international accounting standards such as IFRS.

Additionally, simplified accounting standards known as Small Entities Standards (SRS) are available for smaller companies. The Norwegian Financial Reporting Act prescribes statutory requirements for the content and presentation of financial statements. Auditing standards in Norway are aligned with international standards and provide guidance to auditors on their responsibilities and reporting requirements.

Norway has a comprehensive framework of accounting standards to ensure transparency, comparability, and reliability in financial reporting. These standards include GRS, NRS, IFRS (for certain companies), SRS (for small entities), and auditing standards. Compliance with these standards is essential for companies to provide a true and fair view of their financial position, results of operations, and cash flows.



Employment and Labor Laws

Employment and labor laws in Norway are designed to protect the rights of employees and regulate the employer-employee relationship. These laws aim to ensure fair treatment, establish minimum standards for working conditions, and promote a healthy and safe work environment. Here are some key aspects of employment and labor laws in Norway:

- 1. Employment Contracts:** Employment contracts in Norway can be either permanent or temporary. A written employment contract is not mandatory but is highly recommended to clarify the terms and conditions of employment, including work hours, wages, benefits, notice periods, and termination procedures.
- 2. Working Hours:** The standard working week in Norway is 37.5 hours for full-time employees. Overtime work is generally compensated by either extra pay or time off in lieu. The maximum limit for overtime work is 10 hours per week and 25 hours over a four-week period.
- 3. Minimum Wage:** Norway does not have a statutory minimum wage. Instead, wages and other employment conditions are typically regulated through collective bargaining agreements between employers' associations and trade unions. These agreements set out the minimum wage levels and other terms for specific industries and occupations.
- 4. Termination and Severance:** Termination of employment in Norway must have a valid reason, such as redundancy, poor performance, or misconduct. Employers must provide written notice of termination, and employees are entitled to a notice period based on their length of service. Severance pay may be required in certain circumstances.
- 5. Workplace Health and Safety:** Norwegian law places a strong emphasis on workplace health and safety. Employers are responsible for ensuring a safe and healthy work environment, conducting risk assessments, and providing necessary training and protective equipment to employees. Employees have the right to refuse work that poses a serious risk to their health and safety.

How we can help?

Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.

Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion. Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business.

They can then recommend risk mitigation strategies to safeguard against adverse events. Our team can investigate and identify any licenses, permissions or registrations required for the client's specific area or industry.

The business assists with the application process and ensures that the organization complies with all legal criteria.



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