

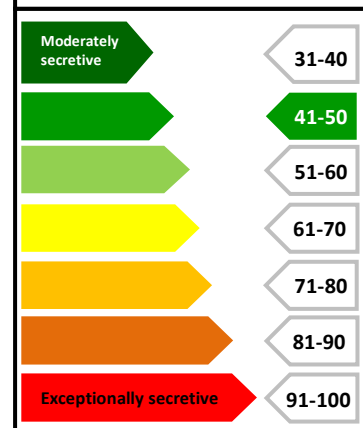
Narrative Report on Norway

Norway is ranked at 50th position on the 2013 Financial Secrecy Index. This ranking is based on a combination of its secrecy score and a scale weighting based on its share of the global market for offshore financial services.

Norway has been assessed with 42 secrecy points out of a potential 100, which places it in the lower mid-range of the secrecy scale (see chart 1).

Norway accounts for less than 1 per cent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions (see chart 2).

Chart 1 - How Secretive?

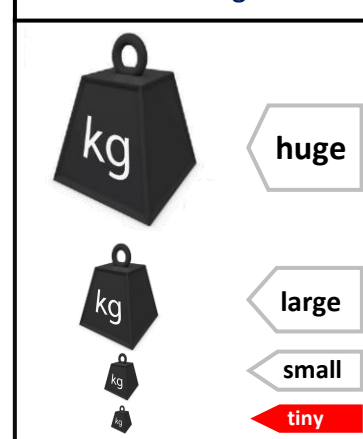


Part 1: Telling the Story

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With a secrecy score as low as 42, Norway cannot be considered as a haven for secrecy. Indeed, for the past five or so years, the government has been a leading critic and opponent of financial secrecy and illicit cross-border flows, engaging in what it calls, in its [own words](#), a "war" against tax havens. The official Norwegian report "[Tax Havens and Development](#)" from 2009 had several recommendations on how to tackle tax havens, not just with international cooperation but also by national legislation. This represented a major shift in Norwegian politics on the issue.

Chart 2 - How Big?



However, Norway does have some tax and secrecy loopholes. This is particularly relevant to Norway's shipping industry, and also has some relevance in oil and other sectors. Recent media articles have revealed several cases highlighting the Norwegian economy's close links to tax havens (and also exposing sums lost to Norway as a result of tax dodging.) Official statistics, for example, show that six out of every ten companies registered in Norway don't pay any taxes at all.

Shipping

Norway's shipping industry pays no taxes on profits: they only pay a small tax on tonnage. This policy was [introduced](#) in 2007¹ - by the same elected government that declared war on tax havens - in order to attract ships back to the Norwegian flag, amid fierce tax

'competition' from countries in the EU, the Bahamas, Bermuda and other 'flag of convenience' jurisdictions.

Oil

Norway has its own low-tax jurisdiction, the [Svalbard archipelago](#), which lies far to the North in the Arctic Sea. Businesses on the islands pay a corporate income tax rate of 16 percent, quite a bit lower than the 28 percent on the mainland. Some businesses have exploited this opportunity by setting up an office with one employee, and routing profits through there. The best known example is the drilling rig company Seadrill, which recorded profits of 719 million kroner (some [\\$120 million](#)) on Svalbard, even though oil drilling is banned in the area. The Ministry of Finance closed the loophole in 2011 by imposing the mainland tax rate on profits exceeding 10 million kroner. Seadrill then closed down its offices. This is now a minor issue.

The Government Pension Fund Global (often referred to as the Norwegian oil fund) manages Norway's vast petrol revenue. In 2012 they established a subsidiary in Luxembourg, NBIM S.á.r.l, to manage real estate investments, investing heavily in [property in London](#). This led to criticism that if a state-owned fund relocates to a tax haven, this could damage the public view of taxation. The Fund claimed they are obliged to reduce costs, under a mandate from the Ministry of Finance.

Statoil is the world's eleventh largest oil and gas company and 67% owned by the Norwegian Government. Statoil has 25 subsidiaries in the USA, 23 of which are registered in the secrecy jurisdiction of Delaware. It has no employees in Delaware. Statoil has stated that they use Delaware because it is "business friendly and has just and predicatble legislation".

Lawyers

Norwegian tax authorities discovered that from 2004 to 2009, 7,500 million kroner (some \$1.3 billion) had been transferred to and from tax havens from Norway via six Norwegian law firms. The money had been transferred through lawyers' client accounts. A supreme court ruling states that the tax authorities cannot access information on who the money belongs to, since lawyers are protected by client confidentiality. As a result, in 2013 an official in the Ministry of Finance publicly said that *the law offices in Oslo act as a tax haven within Norway's borders*. A proposal to change the law is now in hearing. If passed, it will provide tax authorities access to the identities of the clients, on request.

Information exchange

The Nordic tax authorities signed the multilateral convention on mutual assistance in tax matters in 1991. This includes automatic exchange of information on income, interests, dividend and royalty payments etc. The Nordic countries are also cooperating on the negotiation of information on request-agreements (TIEAs). The work was started in 2006

and is coordinated under the Nordic Council. If a tax haven signs this “Nordic” agreement, it automatically has an agreement with seven Nordic countries (Norway, Denmark, The Faroe Islands, Greenland, Finland, Iceland and Sweden). This may explain the popularity of Nordic agreements amongst tax havens, since 12 agreements are needed to obtain “compliant” status from the OECD. On 18th June 2013 the Ministry of Finance declared that they now have agreements with all tax havens, except Hong Kong and the United Arab Emirates. But agreements are expected to soon be in place with these two.

An overview of Norway’s tax agreements can be found [here](#) and [here](#).

Norway also has an unusual currency registry, which contains information about currency exchange, and transfer of funds in and out of Norway. The purpose is primarily to prevent and combat tax evasion and help determine correct tax payments. The information in the registry can be used by a number of agencies, including the tax administration and customs. Banks and financial institutions report on cross-border transactions in and out of Norway, including the parties involved in the transaction and the amount of the transaction.²

In August 2013 the Finance Ministry finished a hearing on country-by-country (CbC) reporting. In addition to the European Union’s CbC reporting requirements, several reporting elements have been added in the Norwegian version: investments, sales income, production volume, acquisitions of goods and services, and number of employees. This will only affect extractive and forestry industries, as in the EU proposal. While still in office, the former Minister of Finance, Sigbjørn Johnsen, stated that Norwegian legislation will be in place no later than January 2014. It is not yet known whether the new administration will honour that commitment.

Sources

- Norway’s shipping industry tonnage tax - <http://translate.google.com/translate?sl=no&tl=en&js=n&prev=t&hl=en&ie=UTF-8&u=http%3A%2F%2Fen.no%2Fnull-skatt-for-hjemflaggede-skip%2F3464345>
- Norway’s “war” against tax havens - <http://e24.no/makro-og-politikk/felles-front-mot-skatteparadiser/1558670> (in Norwegian)
- Overview of Norway’s tax agreements 1, Ministry of Finance - <http://www.regjeringen.no/en/dep/fin/Selected-topics/taxes-and-duties/tax-treaties-between-norway-and-other-st.html?id=417330>
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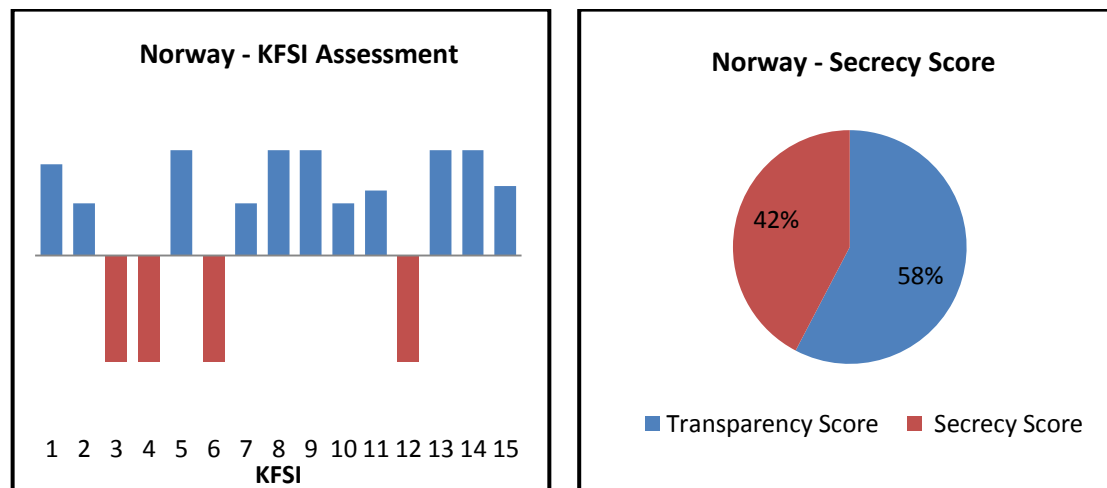
With thanks to Sigrid Jacobsen and Peter Ringstad, Tax Justice Network - Norway, for their major input into this report.

Next steps for Norway

Norway's 42 per cent secrecy score shows that it must still make major progress in offering satisfactory financial transparency. If it wishes to play a full part in the modern financial community and to impede and deter illicit financial flows, including flows originating from tax evasion, aggressive tax avoidance practices, corrupt practices and criminal activities, it should take action on the points noted where it falls short of acceptable international standards. See part 2 below for details of Norway's shortcomings on transparency. See this link <http://www.financialsecrecyindex.com/kfsi> for an overview of how each of these shortcomings can be fixed.

Part 2: Secrecy Scores

The secrecy score of 42 per cent for Norway has been computed by assessing the jurisdiction's performance on the 15 Key Financial Secrecy Indicators, listed below.



The numbers on the horizontal axis of the bar chart on the left refer to the Key Financial Secrecy Indicators (KFSI). The presence of a **blue** bar indicates a positive answer, as does **blue** text in the KFSI list below. The presence of a **red** bar indicates a negative answer as does **red** text in the KFSI list. Where the jurisdiction's performance partly, but not fully complies with a Key Financial Secrecy Indicator, the text is coloured **violet** in the list below (combination of red and blue).

This paper draws on key data collected on Norway. Our data sources include regulatory reports, legislation, regulation and news available at 31.12.2012³. The full data set is available [here](#)⁴. Our assessment is based on the 15 Key Financial Secrecy Indicators (KFSIs, below), reflecting the legal and financial arrangements of Norway. Details of these indicators are noted in the following table and all background data can be found on the [Financial Secrecy Index website](#)⁵.

The Key Financial Secrecy Indicators and the performance of Norway are:

TRANSPARENCY OF BENEFICIAL OWNERSHIP – Norway	
1.	Banking Secrecy: Does the jurisdiction have banking secrecy? Norway does not adequately curtail banking secrecy
2.	Trust and Foundations Register: Is there a public register of trusts/foundations, or are trusts/foundations prevented? Norway partly discloses or prevents trusts and private foundations
3.	Recorded Company Ownership: Does the relevant authority obtain and keep updated details of the beneficial ownership of companies? Norway does not maintain company ownership details in official records
KEY ASPECTS OF CORPORATE TRANSPARENCY REGULATION – Norway	
4.	Public Company Ownership: Does the relevant authority make details of ownership of companies available on public record online for less than US\$10/€10? Norway does not require that company ownership details are publicly available online
5.	Public Company Accounts: Does the relevant authority require that company accounts are made available for inspection by anyone for a fee of less than US\$10/€10? Norway requires that company accounts be available on public record
6.	Country-by-Country Reporting: Are all companies required to comply with country-by-country financial reporting? Norway does not require country-by-country financial reporting by all companies

EFFICIENCY OF TAX AND FINANCIAL REGULATION – Norway	
7.	<p>Fit for Information Exchange: Are resident paying agents required to report to the domestic tax administration information on payments to non-residents?</p> <p>Norway partly requires resident paying agents to tell the domestic tax authorities about payments to non-residents</p>
8.	<p>Efficiency of Tax Administration: Does the tax administration use taxpayer identifiers for analysing information efficiently, and is there a large taxpayer unit?</p> <p>Norway uses appropriate tools for efficiently analysing tax related information</p>
9.	<p>Avoids Promoting Tax Evasion: Does the jurisdiction grant unilateral tax credits for foreign tax payments?</p> <p>Norway avoids promoting tax evasion via a tax credit system</p>
10.	<p>Harmful Legal Vehicles: Does the jurisdiction allow cell companies and trusts with flee clauses?</p> <p>Norway partly allows harmful legal vehicles</p>
INTERNATIONAL STANDARDS AND COOPERATION – Norway	
11.	<p>Anti-Money Laundering: Does the jurisdiction comply with the FATF recommendations?</p> <p>Norway partly complies with international anti-money laundering standards</p>
12.	<p>Automatic Information Exchange: Does the jurisdiction participate fully in Automatic Information Exchange such as the European Savings Tax Directive?</p> <p>Norway does not participate fully in Automatic Information Exchange</p>
13.	<p>Bilateral Treaties: Does the jurisdiction have at least 46 bilateral treaties providing for information exchange upon request, or is it part of the European Council/OECD convention?</p> <p>As of 31 May, 2012, Norway had at least 46 bilateral tax information sharing agreements complying with basic OECD requirements</p>
14.	<p>International Transparency Commitments: Has the jurisdiction ratified the five most relevant international treaties relating to financial transparency?</p> <p>Norway has ratified relevant international treaties relating to financial transparency</p>

15.	International Judicial Cooperation: Does the jurisdiction cooperate with other states on money laundering and other criminal issues? Norway partly cooperates with other states on money laundering and other criminal issues
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¹ Replacing a 28% tax rate, which will fall to 27% in 2014.

² For transactions on 100,000 NOK or more going out of Norway, the reason for the transaction must be included. Banks must also report the purchase and sale of foreign currency for amounts above 5,000 NOK.

³ With the exception of KFSI 13 for which the cut-off date is 31.05.2012. For more details, look at the endnote number 2 in the corresponding KFSI-paper here:

<http://www.financialsecrecyindex.com/PDF/13-Bilateral-Treaties.pdf>.

⁴ That data is available here: <http://www.financialsecrecyindex.com/database/menu.xml>.

⁵ <http://www.financialsecrecyindex.com>.