GUIDE TO
DOING BUSINESS IN NORWAY
2014

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IN COOPERATION WITH
UNIVERSITY OF NORDLAND
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ABOUT THIS PROJECT

Dear reader!

We are happy to introduce you to Norway, a country probably most known for the beautiful nature, tasteful fish and oil and gas. Norway also has a well functional economy and political stability, and position itself among the top countries in most international rankings, including in areas such as transparency, quality of life, GDP and economics.

Norway is a large exporter of seafood products to Ukraine, but there is a vast potential of increased trade and investments both ways in several sectors. Among the most promising are seafood, ICT/IT, energy, shipbuilding, agriculture, tourism, R&D and retail. While doing business in Norway, one should not be concerned with unstable economy, political risks, frequently changing legislation, protection of private property and corruption. Instead, a businessman should focus on innovations and quality to be competitive. Support for those who want to establish their own business can be expected from various public institutions, above all the Norwegian government. However, as Norwegians say – “things take time in Norway”. Thus, we recommend to be prepared to be patient while establishing and conducting business in Norway and to follow all rules and standards – big punishment follows if one tries to cheat. There are no opportunities to bribe people to solve problems. And it is always smart to rely on local support – to have a local partner (as for example NUCC). Generally, Scandinavian partners are maybe the best in Europe.

The Norwegian-Ukrainian Chamber of Commerce (NUCC) was established in 2008 to stimulate increased commercial cooperation between Norway and Ukraine. We work for the interests of our members, and have no other commercial incentives. NUCC has a competent board as well as partners, and we have key contacts in each sector. NUCC will assist our members if they need help and guidance. We are a safety network if you encounter problems. We have good contacts among authorities in Norway and Ukraine, and we work closely with both the Ukrainian Embassy in Oslo and the Norwegian Embassy in Kiev.

NUCC encourages commercial relations between Norway and Ukraine, in order to promote our member’s business interests in the two countries. In commercial relations, we mean trade (export/import), investment and cooperation within R&D and education. We also run a project, funded by the Norwegian MFA, to increase awareness of the importance of transparency, business ethics and Good Corporate Governance among young managers and students; www.nucc.no/ye. This gives Norwegian and Ukrainian companies a pool of potential employees to choose from, who have knowledge about the business culture in each respective country.

We are also ready to assist your company in finding a trustworthy partner in Norway through our Matchmaking Program; www.nucc.no/mmp. We hope you find this guide helpful, and wish your company great success when doing business with Norway.

Best regards,

Arne Mjøs, Chairman NUCC
About NUCC

The Norwegian Ukrainian Chamber of Commerce (NUCC) is a non-profit, non-governmental organization. The Norwegian Ukrainian Chamber of Commerce was formally founded in an open meeting at the Telenor ASA on November 20, 2008. The main aim of the organization is to assist in the development of trade and economic relations and investment processes between representatives of enterprise structures of Ukraine and Norway. More than 50 companies are registered as NUCC members in November 2014. The web page [www.nucc.no](http://www.nucc.no) is updated regularly.

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Part I:
Norway: economy, culture, and business opportunities
1. INTRODUCTION

1.1. WHY INVEST IN NORWAY?

Norway is one of the most developed countries in the world in accordance with various rankings. The following conditions are particularly favorable for entrepreneurs:

- **Stable and growing economy.** Norway has had a budget surplus for a large number of years. Therefore, the public debt is low and one does not have to be worried about the state of public finance here. In addition, two decades ago the Government Pension Fund was established, where considerable savings have been accumulated. The purpose of the fund is to ensure that future generations of Norwegians will have similar or better standard of living than they parents. Nevertheless, it can also be used in extraordinary situations. Hence, the Norwegian debt securities have the highest possible credit rating in Fitch, Standard and Poor’s and Moody’s. Moreover, the perception of Norway as a stable economy among investors results from such factors as low inflation, very low unemployment rate, growing GDP, one of the highest GDP per capita in the world, stable exchange rate of NOK, etc. There are few countries in the world which can offer entrepreneurs such a beneficial and secure environment for the investments as well as a great deal of ease doing business in addition to local and state government support for SMEs.

- **High gross savings, growing consumption and industrial production.** In Norway the amount of gross savings is relatively high. Furthermore, both the consumption and industrial production have risen gradually from year to year, meaning that the Norwegian economy is sound and the demand for certain goods will presumably still be increasing in the future. Thus, businesspeople here might look ahead with a great deal of optimism.

- **Protection of private property, low corruption, quality of life.** Norway is one of the best countries in the world to live, work and conduct business in. It is a democratic country with stable political traditions, where the salary differences among people are among the lowest in the world, and the quality of life is very high. Due to its well-functioning legal system, private property is well protected. Norway is ranked as one of the least corrupted states in the world and it is fair to say that one does not have to be worried about this issue while doing business in the Kingdom of Norway.

The above-mentioned indicators are further described in this guide.

2. GENERAL INFORMATION ABOUT NORWAY

The Kingdom of Norway is a country located in Northern Europe and it is bordered by Sweden, Finland and Russia to the east. The territory consists of the mainland Norway, Svalbard, which is an archipelago located in the Arctic Ocean, and an island, Jan Mayen. The total area of Norway is equal to 385,178\(^1\) and its population is around 5 million people\(^2\). The capital city is Oslo. Norway is one of the richest counties in the world (in terms of GDP per capita) and is a founding member of NATO, the United Nations, the Council of Europe as well as the Nordic Council. Furthermore, it is a member state in such organizations as the OECD, WTO and above all the European Economic Area (the EEA) plus the Schengen Area\(^3\). In addition,

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\(^1\) Minifakta om Norge 2014 (available only in Norwegian)


Norway is very high ranked in a great many indices e.g. Human Development Index (in 2014 the 1st place\(^4\)), the 2013 Lagatum Prosperity Index (1st place\(^5\)) or the Democracy Index (also 1st place\(^6\)).

Norway is a unitary state as well as constitutional monarchy and parliamentary democracy. The head of state is King Harald V and the current prime minister is Erna Solberg from the Conservative Party. The country is known for its beautiful, breathtaking nature (mainly unique fjords and midnight sun and polar night beyond the Arctic Circle), the oil and gas reserves that have contributed to the fast growth of the country’s wealth, respect for human rights and the extensive social care network.

2.1. NORWEGIAN SOCIETY

The biggest cities in Norway are Oslo, Bergen, Trondheim, Stavanger, Kristiansand, Fredrikstad and Tromsø. Since the beginning of 1970s the structure of the population has been changing, mainly due to a considerable immigration, both from Europe and the other parts of the world. Currently the biggest immigration groups are Polish, Swedish, Lithuanians, and Germans\(^7\). The Norwegian society is perceived as liberal, where the human rights, gender equality, etc. play important roles. Moreover, Norwegians are not particularly religious. In fact, Norway is one of the most atheist countries in the world (despite the fact that officially more than 75% of Norwegians are members of the state church\(^8\)).

Norway is also a country where the crime level is low. What is more, the number of reported offences has been decreasing in the last decade (in 2013 1.3% less than year before). In 2013 one could have observed a considerable decrease of thefts (the lowest number in the course of the past 20 years). Merely the reported narcotic offences increased in the discussed year\(^9\).

2.2. HISTORY OF NORWAY

The process of petty kingdoms’ unification at the end of the ninth century is perceived as the beginning of the Norwegian state. The first King of Norway became Harald Hårfagre (c. 850-c. 932) who, in accordance with the sagas, was the person responsible for the above mentioned process. After the end of Viking Age (c. 790-c. 1100) and Civil war era (1130-1240), Norway, Sweden and Denmark formed the Kalmar Union, which basically lasted until 1537. Subsequently, until 1814 Norway was a part of Denmark (in the personal union).

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\(^4\) United Nations Human Development Programme: hdr.undp.org/en/countries (available in English)
\(^5\) Legatum Institute: http://www.prosperity.com/#1/ (available in English)
\(^6\) Global Democracy Ranking: http://democracyranking.org/wordpress/?page_id=738 (available in English)
\(^7\) Statistics Norway: www.ssb.no/en/befolkning/statistikk/folkemengde (available in English)
\(^9\) Statistics Norway: http://www.ssb.no/en/sosiale-forhold-og-kriminalitet/statistikk/lovbrudda (available in English)
17th May 1814 the Constitution of Norway was signed (it is the second-oldest constitution that is still in force) and, in fact, since then one may talk about the beginning of the modern Norwegian state. This date is very important for every Norwegian (it is the national day) and every year colorful parades are organized in order to commemorate this event. What is surprising to a great many foreigners is the fact that on this day the most important group in the society is children, whose parade in Oslo is the most important part of the national day celebration. On 17th May you will see a lot of Norwegian flags and Norwegians dressed in bunad, the traditional Norwegian costume.

From 1814 to 1905 Norway was in a union with Sweden. Since then it has been an independent country. Norway proclaimed its neutrality during World War I. Despite the same declaration, about 20 years later the country was invaded by the Germans during World War II in 1940. After the end of the war, Norway was a part of the Western Bloc and a founding member of NATO in 1949. One of the most significant events in Norwegian history was the discovery of the oil deposits in the Norwegian sector of the North Sea in 1969. As a consequence, a dynamic development of Norway and increase of the wealth among the Norwegian population have been observed.

In general, your first impression when you visit Norway will probably be that mountains are almost everywhere. That is almost completely true. On the one hand, you might enjoy breathtaking views, amazing places untouched by humans, and unique landscapes. One cannot also forget about the marvelous fjords, especially those located in Western Norway. On the other hand, from the purely economic perspective there is a small amount of arable land and difficult agriculture conditions in Norway. As a result, a lot of food is imported from other countries. This area might be perceived as having great potential for Ukrainian exporters of agricultural products.

2.3. GEOGRAPHY AND CLIMATE

Norway is a country located in Northern Europe and possesses a great many islands (around 50,000!) along its long and rugged coastline. In accordance with the World Resources Institute Norway has, in fact, the longest coastline in Europe\(^\text{10}\). A considerable part of the country lies beyond the Arctic Circle. Nevertheless, despite its location Norway is not as cold as one may think. The main reason behind the milder climate is the influence of the Gulf Stream, which leads to warmer winters in Norway than the ones that are observed in the areas at the same latitude. The climate, however, is quite diversified in various parts of Norway. For example, in Oslo there is significantly lower precipitation than in (some people say that it always rain Bergen there, which of course is not entirely southern true). Furthermore, the temperatures in parts of Norway are, on average, much higher than in the North.

2.4. NORWEGIAN LANGUAGE

The Norwegian language belongs to the family of Germanic languages and is closely related to Danish and Swedish. Therefore, the mutual understanding among people from these three Scandinavian nations should not be surprising. There are two official forms of Norwegian,
Bokmål and Nynorsk. The former is spoken by the majority of the population, whereas the latter by around 10-15% of Norwegians, especially in Western Norway. Furthermore, there are a lot of local dialects in Norway that differ significantly when it comes to the pronunciation. Sometimes even native Norwegian speakers do not understand each other, which is funny from the foreigner’s perspective.

In general, it is good to know at least some Norwegian, because it helps in everyday life and especially when someone wants to find a job here. Nevertheless, knowledge of English is widespread among Norwegians, also in public institutions, offices, banks, etc. Practically everyone can speak good English in Norway. Furthermore, almost every government website is also available in English (however in many cases they do not contain all the information included in their Norwegian version, solely the most important issues). Thus, fluency in English will be very helpful for you, especially in the initial phase of your stay here. Basically, you can open a business here without speaking Norwegian (good knowledge of English is completely sufficient), but in the later stages of your life in Norway it is advised to start learning either Bokmål or Nynorsk (it is essential especially in the service sector).

The most important words in Norwegian are: hei- which is used whenever you meet anyone, takk- thank you, and of course- skål!- cheers!- you can use it whenever you want to propose a toast.

2.5. THE NORWEGIAN EDUCATION SYSTEM

In general, compulsory education in Norway is free. It lasts 10 years. A child needs to start attending school when he or she is 6 years old (it applies also to children that have stayed in Norway for the period longer than 3 months).

Before the age of six, a child may attend kindergarten. It should be mentioned that currently it is difficult to get a place both in private and public nursery schools (it is advised to apply for a place as soon as possible). Furthermore, you need to pay for your child when he/she attends kindergarten. There is, however, a possibility to get a benefit from NAV for that purpose (for further information check here- available in English): [1] After the pre-schooling period your child will attend primary school- Barneskole (first 7 years of compulsory education) and the in next three he or she will attend lower secondary school- Ungdomsskole. Between the ages of 16-19 the vast majority of children in Norway attend upper secondary school- Videregående skole. Nonetheless, this period of schooling is not compulsory.

A lot of students choose further, higher education after their upper secondary school graduation. In Norway there are various universities, specialized universities, university colleges and private colleges. The list of higher education institutes is available here (in English): [2] In some branches (engineering, healthcare etc.) formal qualifications are required for starting and running a business. NOKUT (Norwegian Agency for Quality Assurance in Education) is an agency that is responsible for the recognition of
the foreign higher education. Check here so as to obtain more information and applications concerning the recognition process: http://www.nokut.no/.

2.6. LIVING IN NORWAY

Norway is one of the most expensive countries in the world, especially its capital city, Oslo. The prices of food as well as consumer goods and services are among the highest in Europe. Alcohol, tobacco, oil, eggs and dairy products are especially expensive. Fish products, in turn, are relatively cheap. For example, a loaf of bread in Norway costs between 8 NOK and 40 NOK. A carton of twelve eggs costs around 25-35 NOK, yogurts- between 7 NOK and 20 NOK per item. Prices in the restaurants are also relatively high. The same applies to the theater, cinema, opera tickets, etc., as well as train/taxi/bus/air fares (you will soon find out that flying in Norway is the best and the least time consuming means of transport, as the flight network is well developed here).

The prices of accommodation are extremely high. Nevertheless, in return you get heating in all rooms, good furniture, etc., all of which is of a high standard. The rental market is not particularly big, however, especially in the biggest Norwegian cities it is relatively easy to find a place to stay. It is advised to use the Internet while searching for accommodation. The most popular website for such a purpose is www.finn.no.

In general healthcare in Norway is free (for Norwegian citizens), however it does not include dental care, visits to a regular GP, rehabilitation, physiotherapy, etc. (unless you are younger than 16). Basically, you need to pay for many health services. Nevertheless, when you exceed a certain amount of money during a calendar year, which depends on the user free group (for the first group it is 2105 NOK in 2014) you will receive your exemption card (frikort in Norwegian).

Table 1 summarizes the basic facts about Norway in comparison with Ukraine.

<table>
<thead>
<tr>
<th></th>
<th>Norway</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political regime</strong></td>
<td>Constitutional monarchy with parliamentary system</td>
<td>Unitary semi-presidential republic</td>
</tr>
<tr>
<td><strong>Capital city (2014)</strong></td>
<td>Oslo (634 463 people)</td>
<td>Kiev (2 870 930 people)</td>
</tr>
<tr>
<td><strong>Area</strong></td>
<td>385 178 km²</td>
<td>603 628 km²</td>
</tr>
<tr>
<td><strong>Population (2014)</strong></td>
<td>5 124 383</td>
<td>45 410 926</td>
</tr>
<tr>
<td><strong>Research and development expenditure (% of GDP) (2013)</strong></td>
<td>1.66%</td>
<td>0.73%</td>
</tr>
<tr>
<td><strong>Life expectancy at birth, female/male (years) (2013)</strong></td>
<td>84/80</td>
<td>76/66</td>
</tr>
<tr>
<td><strong>Number of tourists visiting, million (2012)</strong></td>
<td>4,375</td>
<td>23,013</td>
</tr>
</tbody>
</table>

Source: Statistics Norway, State Statistics Service of Ukraine, the World Bank, World Tourism Organization UNWTO.
3. NORWEGIAN CULTURE AND BUSINESS CULTURE

People from different cultures tend to think, feel and react in different ways. It is always an advantage to be aware of cultural differences when doing business in another country. Cultural awareness facilitates communication and helps to avoid misunderstandings.

National culture includes beliefs, values, rituals and practices that are quite different for an average Norwegian and Ukrainian. You should remember that people within each culture may deviate from the “average.” We believe it is useful (and often entertaining) to learn about Norwegian culture and the business culture in Norway. The authors try to highlight the most striking differences and similarities between Norwegian and Ukrainian national cultures.

3.1. NORWEGIAN CULTURE COMPARED TO UKRAINIAN CULTURE

Norwegians are different from Ukrainians in many ways. Most of the visible expressions, such as manner of speaking, organization of work, and even dress, may be understood when four fundamental differences described below are considered.

3.1.1. The distance between “the boss” and “the subordinate” is significantly lower in Norway than in Ukraine

Norwegians prefer equality and informality, whereas Ukrainians may favor hierarchies where both leaders and workers do what they are supposed to do. People in Norway like to demonstrate equality while people in Ukraine often prefer demonstrating status and dominance. This difference is observed everywhere in the society. It dictates, for example, how you are expected to behave when you are invited to visit the family of your Norwegian business partner.

Unlike Ukrainians, Norwegians use only first names when appealing to everyone from their siblings to teachers, directors and ministers. Fathers name and titles like “Mr.” or “Sir” are never used (the only exception is made for the members of the royal family).

You should not be surprised when you receive a letter from a public office and the first word there will be- “Hei”. You should write “Hei” even in “formal” letters. Employees do not like control; they expect to be consulted, not to be given orders. Lean hierarchy, informal conversations and contacts among the employees and managers, owners is something taken for granted in Norway. The cultural dimension described here constitutes the major difference between Norwegian and Ukrainian national cultures. Apart from the above-discussed differences, one can say that both cultures are relatively similar to each other. It can be claimed that one can observe bigger cultural distances between the Norwegian national culture and the cultures of e.g. Middle East, Africa or East Asia.

11 These differences and other cultural differences are described (not considering Ukraine directly) by G. Hofstede in the following book: Hofstede, G. (2001). Culture’s consequences: comparing values, behaviors, institutions, and organizations across nations. Sage: Thousand Oaks, Calif.
3.1.2. Norwegians are more individualistic than Ukrainians

Norwegian society without any doubts can be described as individualistic. This is mainly due to historical reasons. In the past Norwegians lived separately e.g. one house on one mountain, the other one on the other mountain or in small villages which were located far away from each other. Hence, the cooperative attitude could not have been formed (as it is in e.g. China or Japan). In addition, the influence of the religion (Lutheranism) promoted hard work and individual achievements. As a result, personal opinions are essential and valued. The issues important for individuals are expressed plainly, and everyone communicates explicitly. Moreover, privacy is perceived as salient and is respected.

For Norwegians, it is important to have a clear distinction between private life and work. Individual career is appreciated in Norway; the relationship between workers and employers are based on contracts; individual management and direct feedback, and job mobility is higher than in Ukraine. While USA and Australia are on the extreme individualistic part of the scale, both Norwegians and Ukrainians are more or less in the middle between the extremes. However, Norwegian society is significantly more individualistic compared to that of Ukraine.

3.1.3. In Norway the social roles of men and women overlap, while in Ukraine these roles are clearly distinct.

In contrast with Ukraine traditional family life, both men and women in Norway are supposed to work, foster children and take care of the house. Men take a 14-week long leave from their jobs to care for their infants. Having a female boss and male subordinates is normal for both genders. The small difference between what role Norwegian men and women play in everyday and working life means that the society can be described as feminine (the only country in the world, according to Hofstede, which is more feminine than Norway is Sweden). Compared to the average for other countries, Ukraine is moderately feminine. However, the contrast to Norwegian extreme is vivid.

As a result of Norwegian gender equality, such values as taking care of the environment, sympathy for poor people, societal solidarity, “working to live”, “doing your best”, and independent cooperation are important. Most employees desire free time and flexibility. Ideal management is based on involvement of every interested party in decision-making and support from the people at the top.
Since men and women are expected to play similar roles in society, men do not, for example, open doors for women. However, a lot of Norwegian women like such niceties, especially expressed by foreigners, even if they do not say so explicitly.

In the recent two decades one can observe some changes with respect to the culture in Norway. The main reason behind such a transformation is considerable immigration from various countries in the world. The presence of different cultures is visible especially in the capital city of Norway, Oslo. Nevertheless, the main focus of this subsection of the guide will be the description of a typical, traditional Norwegian culture. Such an approach involves generalization. Remember to treat the description below with a tongue-in-cheek attitude. The presented description does not apply to every Norwegian, however it says a lot about the nation.

The important differences between Norwegian and Ukrainian cultures are summarized in the Table 2.

### 3.2. NORWEGIAN HABITS AND TRADITIONS

A typical Norwegian is a person that can be perceived as shy, not particularly open when he or she meets new people, even rather reserved. Norwegians are diverse, however they can be described as trustful, honest, maybe even a little bit naïve. Respectively, they value trust in relationships and any kind of actions jeopardizing trust between partners is highly undesirable. Norwegians think they live in the outskirts of the world. Thus, a typical Norwegian is a little bit afraid of other cultures, a little bit threatened as well as can be easily overwhelmed when people are too pushy.

Norwegians like doing a lot of things for pleasure, and they are also fond of American culture, styles, films, music, etc. Norwegians like the traditions i.e. national day (May, 17) and Christmas (December 24), the same things every year: the same cartoons, food, etc.

A typical Norwegian is a little bit nationalistic and proud of his or her country. He or she appreciates the Norwegian nature, landscape, trips and the possibility of being alone.
Table 2. Key differences between Norwegian and Ukrainian culture

<table>
<thead>
<tr>
<th>Norway</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Distance between “the boss” and “the subordinate”</strong></td>
<td></td>
</tr>
<tr>
<td>LOW</td>
<td>HIGH</td>
</tr>
<tr>
<td><strong>in society</strong></td>
<td></td>
</tr>
<tr>
<td>Parents and teachers treat children as equals and vice versa</td>
<td>Parents and teachers teach children obedience.</td>
</tr>
<tr>
<td>Children should enjoy leisure</td>
<td>Children should work hard at school</td>
</tr>
<tr>
<td>Children play no role in old-age security for parents</td>
<td>Children are a source of old-age security for parents</td>
</tr>
<tr>
<td><strong>in business</strong></td>
<td></td>
</tr>
<tr>
<td>Powerful people try to look less powerful than they are</td>
<td>Powerful people try to look as powerful as possible</td>
</tr>
<tr>
<td>Decentralized decision structures</td>
<td>Centralized decision structures</td>
</tr>
<tr>
<td>Flat organizational pyramids</td>
<td>Tall organizational pyramids</td>
</tr>
<tr>
<td>The ideal boss is a resourceful democrat</td>
<td>The ideal boss is a well-meaning “father”</td>
</tr>
<tr>
<td>Subordinates expect to be consulted</td>
<td>Subordinates expect to be told</td>
</tr>
<tr>
<td><strong>Level of individualism</strong></td>
<td></td>
</tr>
<tr>
<td>HIGH</td>
<td>LOW</td>
</tr>
<tr>
<td><strong>in society</strong></td>
<td></td>
</tr>
<tr>
<td>Pleasure, affection and security are important goals in life</td>
<td>Duty, expertness and prestige are important goals in life</td>
</tr>
<tr>
<td>Importance of making specific friendships</td>
<td>Friendships predetermined by social network</td>
</tr>
<tr>
<td>Direct, purposeful communication style</td>
<td>Official, respectful, and polite communication style</td>
</tr>
<tr>
<td><strong>in business</strong></td>
<td></td>
</tr>
<tr>
<td>Large foreign companies are preferred</td>
<td>Small local companies are preferred</td>
</tr>
<tr>
<td>Private time is highly valued by employees</td>
<td>Private time may be used in common interests</td>
</tr>
<tr>
<td><strong>Roles of men and women</strong></td>
<td></td>
</tr>
<tr>
<td>SAME</td>
<td>DIFFERENT</td>
</tr>
<tr>
<td><strong>in society</strong></td>
<td></td>
</tr>
<tr>
<td>Both men and women work and care for children to an equal extent</td>
<td>Men mostly work, women mostly care for children</td>
</tr>
<tr>
<td>Men and women should be tender, women should be tougher</td>
<td>Men should be tough, women should be tender</td>
</tr>
<tr>
<td>Values of men and women hardly different</td>
<td>Values of men and women clearly distinct</td>
</tr>
<tr>
<td>Sympathy for the weak</td>
<td>Sympathy for the strong</td>
</tr>
<tr>
<td>Aggression is relatively rare</td>
<td>Aggression is more common</td>
</tr>
<tr>
<td><strong>in business</strong></td>
<td></td>
</tr>
<tr>
<td>Lower job stress</td>
<td>Higher job stress</td>
</tr>
<tr>
<td>Preference for smaller companies</td>
<td>Preference for larger companies</td>
</tr>
<tr>
<td>Work not central in a person’s life</td>
<td>Work central in a person’s life</td>
</tr>
<tr>
<td>Work in order to live</td>
<td>Live in order to work</td>
</tr>
</tbody>
</table>
Tolerance is an important part of Norwegian culture. Minorities are recognized and respected both on political, legal and cultural levels. Discrimination on the ground of religion, disability, age etc. is strictly prohibited. In business, Norwegians do not make difference between professionals of various gender, sexual orientation, skin color etc. Normally Norwegians do not like discussions where professional achievements are attempted to be connected to someone’s minority status.

Probably the biggest surprise among foreigners is associated with two situations regarding the behavior of Norwegians. First of all, you go to a pub and meet some Norwegians there. They drink with you, everyone has fun, and you have nice a discussion with your Norwegian friends. However, when you meet on the next day they might not even say “hello” to you. Second, you walk down the street with your Norwegian friend, and suddenly he or she meets his or her friend. Do not be surprised when this person will ignore you and will only talk to your Norwegian friend.

Norwegians like partying and drinking, and when they are on holidays they might behave impolitely. Also despite their wealth, they like getting things for free. Moreover, they are not very generous. When they go to a pub for a drink with friends, every Norwegian buys e.g. a beer only for him or herself. Another important activity for every typical Norwegian is sport. You should not be surprised when you see an old man or woman running up the hill in the morning. They just love outdoor activities. Norwegians are good at skiing (they are “born with skis on their feet”), winter sports, and are fond of fishing. For them, there is no such thing as bad weather, just bad clothing.

Norwegians perceive themselves as peacekeepers in the world who are not engaged in any military or political conflict. They are open-minded and want to meet new people. Sometimes, however, their low confidence in English might be a problem (the vast majority of them can speak English very well, though!).

It is commonly thought that Norwegians eat a lot of fish. That is partly true. They eat a lot of ready-made food e.g. pizza as well.

Neverthelesss, they are proud of their national dishes and food products, for example brown cheese (brunost). Norwegians usually say that they do not like Swedish or Danish people, but when they meet them they become immediately good friends.

Camping traditions in Norway are another thing that might surprise you. Usually the caravan is left in one, carefully chosen place, but it is equipped with a big TV screen, good furniture, nice flowers and a fence around. It is common to have a barbeque while you go camping. Then, you will see Norwegians in so-called barbecue suit (grilldress in Norwegian), who listen to weird music.
Last but not the least, Norwegians are becoming more and more aware of the world. They travel frequently to various countries in the world and are the part of the global village. Young Norwegians especially travel a lot. They are not peasants and fishermen anymore. Nevertheless, sometimes the feeling of being alone in the world prevails among Norwegians. You might be a little bit surprised when it comes to your initial relations with Norwegians. You may perceive them as a little bit rude, afraid to notice that other people exist, afraid to say “hello” to others. They do not smile to strangers, and appear to be cold. Norwegians do not make any contact on the bus or in the elevator. They do not talk much in public. When they touch someone unintentionally they just do not say anything; phrases such as “I am sorry” are not common in such situations. You might have the impression that, owing to the fact that they are rich, they think that they are better than others. Also, you might say that they are a little bit egocentric, selfish, and complain about a lot of things that they should not complain. However, when Norwegians get to know you they are completely different people. Once you break the initial barrier, you will discover that Norwegians are friendly, have a good sense of humor, are open-minded and inclusive. You just need to pass the “shy wall”. After that, their relations towards you change completely. Therefore, do not be shy when it comes to relationships with Norwegians or feel hurt when you do not get the reaction you expected. The next section reviews some conversation topics that are safe to discuss with Norwegians.

3.2.1. Topics for discussion with a typical Norwegian

The best ways to make Norwegian friends is to invite them for a beer. It is a perfect icebreaker and conversation starter. Alternatively, you can try such approaches as signing up for a tourist organization and have common trips in nature together, or just meet random people while out in nature— they will always talk to you in these circumstances. Or, just simply approach and talk to Norwegians, but don’t get them out of their comfort zone, let them feel relaxed and do not push too hard.

If you are not certain what to talk about with Norwegians, here is a list of the best possible topics that can be discussed with Norwegians that you have just met:

- **Weather** is always a perfect conversation topic. It is a good icebreaker as well. When you do not have anything to talk about with people in Norway that you do not know well, try the weather. It is an important topic, especially in Northern Norway. You can talk about weather today, about weather tomorrow. Usually, summer here is bad, but if there is only one week with good weather during summer it will be remembered among Norwegians, and not the whole surrounding period of rain and cold;
- Norwegians like talking about themselves, their country, fjords, and Norwegian nature. Be open, do not be scared to talk about different things, however it is recommended to avoid talking about sensitive issues such as politics or religion;
- Talk about your country, the differences between the countries. Norwegians like
complaining about various things in Norway e.g. bad roads, prices of gasoline, and not having enough maternity leave. Talking about such issues is always a winner;

- Talk about sport, football, English Premier League;
- Ask for good advice - what you should see in Norway, etc.; Talk about recent events;
- Talk about their houses, decorating, kids, pets if they have them;
- Talk about their cabin - if they have one then this is a big topic, if not move on;
- Ask about holidays or trips.

3.3. BUSINESS CULTURE IN NORWAY

The foreign entrepreneurs in Norway that agreed to cooperate in the preparation of this guide emphasized that the Norwegian business culture is: result oriented, based on direct communication, trust, and honesty (e.g. Norwegians do not use any “tricks” in their legal agreements). The importance of good reputation is also emphasized. Furthermore, one of the interviewees argues that Norwegian businessmen are transparent, understandable, do not cheat their partners and customers, and they pay a good price for the job if you do it properly.

Norwegian business culture is deeply rooted in Scandinavian value of equality and trust. As a result, business structures are characterized by little hierarchy. Management is based on pragmatism with little respect to decision-makers position in organizational hierarchy.

If you agreed on something and if you shock hands so basically you may expect that it will be fulfilled”.

Alexander, Manager in the Ukrainian shipbuilding company in Norway

People and companies in Norway trust each other much more, people don’t need so many stamps, there is less prepayment in Norway. I am selling to private people. I think you can trust better here and you know the system is working. If somebody did not pay you, you know that the debt collection system, not always, but usually it works. So you can let your customers pay some months later - sometimes I give them 4 months to pay. I am not afraid that they will not pay”.

Natalia Ravn-Christensen, owner of Energy Au Pair

It is, therefore, more effective to directly approach the person in Norwegian firm who is responsible for a specific task, rather than trying to contact the highest possible manager hoping that he will introduce you to the subordinates. The top-down approach will not provide many additional advantages to you while negotiating particular deals with front-line managers.
Consensus-based decision making guarantees on one hand that the most competent persons, as well as any other stakeholders, influence the process. On the other hand, consensual decision making may take a lot of time and lead to endless internal and external meetings. Foreign business people may be frustrated by the necessity to involve a lot of people. However, any attempt to push your opinion by bypassing persons you do not believe to have a potential to contribute, will meet considerable resistance. All the participants have equal right to speak and make suggestions independently of their positions in the organizational hierarchy. Unlike South-European traditions, each speaker expects to talk without interruption – all comments will be given after the speech is finished, unless the opposite is explicitly decided upon.

Punctuality is of central importance in Norwegian business culture. As often as possible the agendas and schedules are prepared in advance of a meeting. It is unacceptable to be late without calling to inform the partners about the delay.

Information is spread effectively between the members of egalitarian Norwegian organizations. Informal communication during coffee breaks, where employees and managers of all levels participate equally, facilitates information spreading.

Norwegians are usually well prepared for the meetings and expect foreigners to do the same. Ceremonial meetings when the bosses simply demonstrate willingness to cooperate are not usual – these are made outside of working settings. Meetings are, on the contrary, task-oriented, filled with fact-supported arguments, and structured around an agenda approved by both parts. Norwegians are used to working in teams. The higher leader is expected to provide a support and strategic leadership, but not to interfere with day-to-day operations of the team.

Both in everyday life and in business, it is good to be friendly and patient in relation to Norwegians. Do not push them too hard. Remember that they do not like when someone abuses their personal space/comfort zone (it is bigger than in e.g. Southern Europe) - so do not approach a Norwegian too closely. Some say that a good handshake is essential for a typical Norwegian.

“From my experience and my Polish colleagues experience the impression is that the Norwegian customer is a little bit naive, maybe too good or maybe very trustful. But they also learn very quickly. If you cheat people once, two times then you've got bad reputation. I would recommend just doing business honestly and just be nice and open to people as they are open to you”.

Dima Heger, owner of Entreprenør Dima Heger

The dress code in Norway tends to be less official than, for example, in Ukraine. Norwegians love sports clothes (trousers for running, comfortable shoes, etc.). Informal, casual or even sporty clothes are used by all employees except real estate and bank managers. High-profile investors or high-ranking officials wear a suit, but nobody will be shocked meeting a foreigner in casual clothes at any occasion.

In Norway it is seldom to see someone wearing, for example, an Armani suit. Clothes are very informal for work. For parties, however, some women like wearing fancy clothes.
4. THE NORWEGIAN ECONOMY

The table below presents the most important economic indicators for Norway and their comparison with the Ukrainian ones.

Table 3. Economic facts about Norway and Ukraine

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Norway</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (2013)</td>
<td>0.60 %</td>
<td>1.90 %</td>
</tr>
<tr>
<td>GDP per capita-PPP (2013)</td>
<td>USD 65 461</td>
<td>USD 8 788</td>
</tr>
<tr>
<td>GDP per capita (2013)</td>
<td>USD 100 819</td>
<td>USD 3 900</td>
</tr>
<tr>
<td>Merchandise export, million (2012)</td>
<td>USD 160 999</td>
<td>USD 68 532</td>
</tr>
<tr>
<td>Merchandise import, million (2012)</td>
<td>USD 87 321</td>
<td>USD 84 639</td>
</tr>
<tr>
<td>Commercial services export, million (2012)</td>
<td>USD 38 318</td>
<td>USD 18 681</td>
</tr>
<tr>
<td>Commercial services import, million (2012)</td>
<td>USD 41 165</td>
<td>USD 13 936</td>
</tr>
<tr>
<td>FDI- net inflows, million (2013)</td>
<td>USD 5 524</td>
<td>USD 3 771</td>
</tr>
<tr>
<td>Unemployment rate (2014)</td>
<td>3.30 %</td>
<td>9.0 %</td>
</tr>
<tr>
<td>Currency</td>
<td>Norwegian Krone (NOK)</td>
<td>Ukrainian Hrynia (UAH)</td>
</tr>
<tr>
<td>Exchange rate (10.2014)</td>
<td>100 NOK= 198.8 UAH</td>
<td>12%</td>
</tr>
</tbody>
</table>

Inflation- CPI (official rate) (2013)


4.1. GENERAL GOVERNMENT INDICATORS IN NORWAY

The state of the public finance in Norway is more than satisfactory. For many years, Norway has had a budget surplus, mainly due to efficient tax system, reasonable spending and huge revenues associated with the oil and gas extraction. It is worth mentioning that a great deal of money is saved up in the Government Pension Fund Global (Statens pensjonsfond- Utland in Norwegian). It is perceived as a reserve, as considerable savings for the future generations of Norwegians. In July 2014 the fund’s market value was more than 650 billion EUR.

Contrary to popular belief, Norway has some debt. Although it has had budget surpluses for a large number of years, the government has used the debt financial instruments (i.e. treasury bills and bonds) so as to stabilize the Norwegian economy and to have adequate liquidity every day so as to cover all the necessary payments. Nonetheless, the level of the public debt is not particularly high and is perceived as safe. In accordance with Statistics Norway in 2012 the public debt/GDP ratio was equal to 29.3%. Since 2007 the value of this indicator has been decreasing (from 50.7% in 2007 to 29.3% in 2012).

It ought to be highlighted that even during the peak of the last financial crisis i.e. in 2009, Norway had a budget surplus. In other words, it proves that here investors do not have to be worried about the political and economic turbulences caused by the irresponsible decisions of the government.

12 Norges Bank Investment Management: http://www.nbim.no/en/ (available in English)
Furthermore, the sound financial position of the public sector has resulted in perceiving Norway as a safe country for investments. In consequence, the exchange rate of the Norwegian currency, the Norwegian Krone (NOK) in the last four years has maintained at a strong and stable level with respect to the two most important currencies in the world i.e. to the US Dollar (around 1USD/6NOK) and to the Euro (between 7.4 and 8.4 NOK for 1 EUR, depicted in Figure 1).

One could have observed the same situation i.e. the stable exchange rate of the Norwegian krone (NOK) to UAH, however due to the recent events in Ukraine, NOK has strengthened significantly. Hence, due to the sound state of its public finance Norway has the highest credit rating which in Standard & Poors stands at AAA, in Moody’s at Aaa, and in Fitch at AAA.

Other salient financial indicators are gross savings (% of GDP) and industrial production indicators. The former reveals the wealth of the country and potential for the investments and consumption, the latter shows whether one might expect the future growth of GDP as well as the optimistic forecasts of the economic performance.

Gross savings in Norway in 2012 were equal to 39% (which is relatively high) and the industrial production indicator increased by 1.2% (from February to April 2014), however on the monthly basis (from March to April 2014) it remained unchanged. For the last two years the index for manufacturing in Norway has been higher than in the Euro area. Figure 2 depicts the performance of the various industries during the last decade.

The index of household consumption has been growing gradually and steadily for the last decade. It should be mentioned here that customers in Norway appreciate good quality in their manufactured goods.

In general, fishery and oil and gas industries are those that the majority of people associate with the discussed in this guide country. In fact, the reality is more complicated. The dominance of each industry differs in various regions of Norway.

![Figure 1. EUR/NOK exchange rate from 2009 to 2014](source: Finance Yahoo, finance.yahoo.com/q/bc?s=EURNOK=X&t=5y&l=on&q=l&c=)

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15 Trading Economics: [www.tradingeconomics.com/norway/rating](http://www.tradingeconomics.com/norway/rating) (available in English)

16 World Bank: [data.worldbank.org/indicator/NY.GNS.ICTR.ZS](http://data.worldbank.org/indicator/NY.GNS.ICTR.ZS) (available in English)


Historically, fishery as well as public sector jobs have dominated in Northern Norway, whereas more “traditional” industries have been located in the coastal, Southern Norway. In big cities such as Oslo or Bergen a great many people work in the financial and business sectors, plus they perform various jobs connected with other kinds of services. In Western Norway, especially near Stavanger, it is the oil and gas industry that dominates. There are also such types of businesses as e.g. construction and building, retail trade, hairdressing and other similar services which can be found everywhere in Norway (no regional dominance).

Table 4 shows in which industries one may expect the biggest growth in terms of turnover as well as with respect to the number of employees. The sample was a group of 832 enterprises (4-5 years old).

It is clear that the biggest chances for turnover growth one has is in information and communication, transportation and storage as well as in manufacturing, mining and quarrying industries. It should be kept in mind that e.g. fishery and agriculture were not examined in this survey (especially the former is perceived as quite a profitable industry).

Furthermore, it seems that private and public limited company forms of incorporation increases the chances for fast development, both in terms turnover and employees (they give an entrepreneur more chances for being profitable than e.g. sole proprietorship- see Table 3.).

In accordance with Statistics Norway, gazelles are the enterprises that have an average annual growth equal to 20% or more, over a period of 3 years. In addition, they must be either 4 or 5 years old19.

Table 4. Gazelles by growth in turnover and number of employees by industrial activity and legal form

<table>
<thead>
<tr>
<th></th>
<th>Number of 4 and 5 years old enterprises with 10+ employees in t-3</th>
<th>% gazelles measured in growth in turnover</th>
<th>% gazelles measured in growth in number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>832</td>
<td>18.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Manufacturing, mining and quarrying</td>
<td>85</td>
<td>22.4</td>
<td>11.8</td>
</tr>
<tr>
<td>Electricity, water supply, sewerage, waste management</td>
<td>5</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Construction</td>
<td>182</td>
<td>20.9</td>
<td>12.6</td>
</tr>
<tr>
<td>Domestic trade, car repair shop</td>
<td>119</td>
<td>12.6</td>
<td>8.4</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>56</td>
<td>25.0</td>
<td>14.3</td>
</tr>
<tr>
<td>Accommodation and food service activities</td>
<td>105</td>
<td>11.4</td>
<td>4.8</td>
</tr>
<tr>
<td>Information and communication</td>
<td>51</td>
<td>25.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>20</td>
<td>15.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>74</td>
<td>20.3</td>
<td>12.2</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>102</td>
<td>20.6</td>
<td>16.7</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>24</td>
<td>20.8</td>
<td>16.7</td>
</tr>
<tr>
<td>Other service activities, activities of households as employers of domestic personnel</td>
<td>9</td>
<td>11.1</td>
<td>0.0</td>
</tr>
<tr>
<td>All organizational structures</td>
<td>832</td>
<td>18.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Private limited company and public limited company (ASA)</td>
<td>778</td>
<td>19.0</td>
<td>11.2</td>
</tr>
<tr>
<td>Sole proprietorship (ENK)</td>
<td>25</td>
<td>8.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Other organizational structures</td>
<td>29</td>
<td>24.1</td>
<td>13.8</td>
</tr>
</tbody>
</table>

Source: Statistics Norway.

4.2. THE ISSUE OF CORRUPTION IN NORWAY

One of the most important issues for every entrepreneur who wants to open an enterprise in a foreign country, is whether corruption is present, widespread and socially acceptable. Its existence leads to unfair rivalry based on other factors than the economic ones.

“If I started a company in Ukraine I am supposed to wait. I don’t remember, 6 or 7 weeks, but if I know right people and if I can pay “under table” so I can do that in 10 days or 2 weeks. In Norway it’s not an option. There are no “unofficial” paths”.

Dima Heger, owner of Entreprenør Dima Heger

“My first experience with the tax authorities in Norway was that they sent me a message that on 1st September I needed to send a report about VAT, for example. In Ukraine nobody reminds you, they wait until you make a mistake and then they just fine you with a big amount of money. They don’t do that in Norway. They are more business friendly, in a way. They just remind you and remind you again and they give you a couple of weeks so that you can do what is required”.

Dima Heger, owner of Entreprenør Dima Heger

In consequence, it hinders the economic growth and discourages foreign companies to invest. In accordance with The Corruption Perceptions Index Norway is among the least corrupted countries in the world (fifth place). In fact, Norwegians are indeed perceived as honest, fair and trustful. Ukraine, in turn, is ranked 144th in the above-mentioned index. Therefore, it is advised for the Ukranian businessmen to take into account this issue and not carry out their business in Norway in
a way that is common in Ukraine. Giving and receiving bribes here is considered inappropriate and, from the legal perspective, is a crime.

4.3. THE EASE OF DOING BUSINESS IN NORWAY

Norway is a country where one may feel the entrepreneurial spirit and where the issue of innovation is of the essence. The support for those who want to establish their own business can be experienced from various public institutions, above all the Norwegian government. At the beginning of the 21st century one of the most important documents regarding the examined in this guide matter was published. Its name was “The Government’s Plan for a Comprehensive Innovation Policy”20, and its main goal was to make Norway one of the most innovative countries in the world. The subsequent documents and initiatives (e.g. the innovation and entrepreneurship policies issued by the Ministry of Trade, Industry and Fisheries) followed the chosen path. Such a friendly environment towards businesses is reflected in a great many rankings, among others in the ranking on the ease of doing business in the world which is prepared annually by the World Bank. Norway has been placed in the top 10 for many years. In the latest ranking (for 2014) Norway is at 9th place. Ukraine, in turn, is at 112th place.

Norway is also a country where every year more than 30,000 businesses are opened (in 2013 36,182 new enterprises were established21). The vast majority of organizations founded are public limited and limited companies. In general, in 2014 in Norway there were more than 450,000 firms registered. The latest data from Statistics Norway reveal that only 31% of the enterprises established in 2006 were still operating in 201122. In accordance with this research, the highest survival rate was observed among the limited liability companies. In any case, all what have been said shows that the Norwegian market is competitive and a sound business plan and clear ideas are of the essence when it comes to establishing a firm.

5. NORWEGIAN FOREIGN TRADE

Norway has had a budget surplus for many years. One may observe the same situation with respect to the trade balance – this means that the value of exported goods and services has been higher than that of those that have been imported.

The main reason behind this situation is the fact that Norway obtains significant revenues from the export of oil and gas. The value of imports is more diversified and in the majority comprises three positions: capital goods, intermediate goods and consumption goods. In 2013 Norway imported, above all, intermediate consumption goods, consumer goods, and goods for fixed capital formation. It exported, apart from the above mentioned energy products (which in fact constitute about 70% of the Norwegian export), intermediate consumption goods and consumer goods23.

20 The Norwegian Government: www.regjeringen.no/nb/dep/nfd/dok/rapporter_planer/rapporter/2003/From-Idea-to-Value---The-Governments-Pla.html?id=420249 (available in English)
21 Brønnøysundregistrene: arsmelding.brreg.no/downloads (available only in Norwegian)
22 Statistics Norway: www.ssb.no/en/virksomheter-foretak-og-regnskap/statistikker/fordem (available in English)
23Statistics Norway: http://www.ssb.no/176906/imports-and-exports-of-goods-by-groups-of-end-use-bec (available in English)
The most important trade partners for Norway are: The UK, Germany, The Netherlands, France, Sweden, China and Denmark. Moreover, the most salient markets for the described in this guide state, both in terms of imports and exports, are European countries\textsuperscript{24}.

5.1. NORWEGIAN – UKRAINIAN EXPORT AND IMPORT POTENTIAL

When it comes to the Ukrainian-Norwegian trade relations one may say that it has remained at a similar level for several years. Norwegian exports to Ukraine have increased since 2009 and reached 1.628 mil. NOK in 2013, while import slightly decreased (to 894 mil. NOK in 2013). There is clearly a potential for further development of trade between the two counties.

Norway is deeply integrated into international trade, importing a lot of goods and services. Importing to Norway is often a lucrative and growing business for foreign suppliers. High domestic costs (especially salaries) make outsourcing widespread. There are many cases of Norwegian IT/ICT companies that have outsourced to Ukraine. For example, the Norwegian companies Itera and Evry, which are members of NUCC. Their cases show that there is a great potential in this area of business. According to Arne Mjøs (CEO, Itera), Ukrainians produce IT solutions 70% cheaper than Norwegian firms\textsuperscript{25}. This creates a great many opportunities in cooperating with Ukraine in IT/ICT.

Furthermore, one of the most important elements of Ukrainian imports to Norway are inorganic chemicals and waste from the food industries, animal feed (the former has increased considerably: 38.4% in the course of last five years).

Being a high-cost country with a challenging climate and terrain, Norway has to import a significant portion of its food from abroad. Being one of the major producers and exporters of agricultural products, Ukraine certainly has a potential to benefit from the mutual trade. Norway imports fruits for about 5 billion NOK, vegetables for 2.4 billion, grain for 1.6 billion, and meat for 1.4 billion\textsuperscript{26}. Other Scandinavian countries, Western Europe, Brazil and Peru are the major suppliers of agricultural products to Norway. Currently the share of Ukrainian products is small, but niche products may find their way to the Norwegian market.

With reference to Norwegian exports, the dominant industry that exports goods to Ukraine is fishery (about 85% of the total exports to Ukraine). Norway is the world’s second largest exporter of seafood, fishing and aquaculture products. The equivalent of 35 million meals produced by Norway is consumed worldwide each day\textsuperscript{27}.

\footnotesize\textsuperscript{24} Statistics Norway: http://www.ssb.no/en/utenriksokonomi/statistikker/muh/aaar-foreløpige/2014-01-16 (available in English)
\footnotesize\textsuperscript{25} Itera: http://www.itera.no
\footnotesize\textsuperscript{26} The Norwegian Agricultural Authority: https://www.slf.dep.no/no/statistikk/import/import-per-opprinnelsesland (available only in Norwegian)
\footnotesize\textsuperscript{27} Norway Exports: http://www.norwayexports.no/seafood-fishing-aquaculture/ (available in English)
Besides the traditional export of fresh and frozen fish, Norway provides a number of unique opportunities for international business. The country has been innovating continuously both in the areas of production and distribution.

The Norwegian Seafood Council, for example, has been working for the last years to develop the brand ‘skrei’ (high quality cod). Due to these efforts, ‘skrei’ is fast becoming a famous brand in fish-loving parts of the world. Successful branding leads to a significant increase in the export of Norwegian cod and provides new possibilities for foreign importers. For many years Norway has been investing in research and technology development for fish farming. Experiments with farming several marine spices simultaneously (multi-trophic aquaculture) and developing of new vaccines are a few examples of potentially profitable businesses.

One of the areas where Norwegian competences are highly recognized is the maritime sector. Norwegian ship owners, yards, equipment manufacturers, and maritime sector suppliers are world leading in the advanced and technologically driven segments of the industry. There are examples of cooperation between Norwegian and Ukrainian shipyards, and new opportunities have been arising due to continuously changing economic structures.

Norway is the world’s sixth largest supplier of crude oil and the second largest supplier of natural gas. Along with this volume come highly specialized technologies for seismic search, underwater drilling, floating production etc.

The leading position of Norway in this sector makes it an ideal partner for the exploitation of oil and gas fields around the world.

In the area of energy production Norway may provide competences far beyond the gas and oil sectors. Renewable energy has been a fast growing sector on a global scale and Norwegian government and private investors has been developing, testing and successfully commercializing new technologies. In Norway more than 150 companies are active in offshore wind technologies. Specialized ships for wind park installation and smart greed technologies developed in Norway are examples of potential sources of business opportunities.

The Free Trade Agreement (discussed below) resulted in increased Norwegian exports to Ukraine. Especially, the export of iron and

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28 Norway Exports: [http://digital.findexaforlag.no/i/257785](http://digital.findexaforlag.no/i/257785) (available in English)

29 Norway Exports: [http://digital.findexaforlag.no/i/336386](http://digital.findexaforlag.no/i/336386) (available in English)
steel has risen considerably after the Free Trade agreement entered into force\textsuperscript{30}.

\textbf{5.2. IMPORTANCE OF THE FREE TRADE AGREEMENT BETWEEN THE EFTA STATES AND UKRAINE}

Norway, as one of the EFTA Member States, signed the Free Trade Agreement with Ukraine in June 2010. It was a milestone in the economic relations between EFTA States and Ukraine. It entered into force on 1\textsuperscript{st} June 2012 together with the bilateral agreement between the two above-mentioned countries concerning the trade of agricultural products.

The agreement was salient for Norway, because it gave the EFTA States a competitive advantage over the EU countries that did not sign such a document at that time. It is a modern Free Trade Agreement, which does not solely cover the issue of the goods' trade (including the rules of origin, trade facilitation, technical barriers to trade, sanitary and phytosanitary measures, trade measures such as antidumping), but also trades in government procurement, services, investments, competition and intellectual property rights\textsuperscript{31}. Thus, it comprises 10 chapters, 15 annexes and a protocol that discusses the previously listed matters.

The free trade agreement with Ukraine provides the Norwegian exporters and importers with increased predictability and better general terms and conditions. One of the most important consequences of this document is the establishment of duty-free trade of goods for all industries (with small exceptions that will be mentioned in the subsequent paragraphs of this guide).

The EFTA States got the approval for non-application of anti-dumping measures, something that was of the essence for Norway. Furthermore, the agreement gives good terms and conditions for Norwegian export of fish and marine products. With respect to the trade of services regulated by this agreement, Ukraine undertakes obligations beyond GATS which are essential for Norwegian businesses, among others for maritime transport services, financial services (marine and energy insurance), as well as telecommunications\textsuperscript{32}.

\textbf{5.2.1. Industrial goods, fish, marine and agricultural products}

The issue of the trade in goods was raised in the second chapter of the Free Trade Agreement. Industrial goods as well as fish and other marine products originating in Ukraine will get duty-free access to the EFTA States markets. The same applies to the majority of custom duties that are associated with the importation of the mentioned goods to
5.2.2. Industrial goods

With respect to industrial products the agreement is asymmetric because:
- Ukraine was given the privilege of removing its tariffs for a few sensitive goods after a contractual reduction period described in the annex IV EFTA States agreed to discontinue tariffs on all industrial products from its entry into force\textsuperscript{32}.

When it comes to the export duties, Ukraine committed itself to progressively reduce the export duties in accordance with its WTO-commitments as well as give the EFTA states at least as good treatment as for the EU countries\textsuperscript{32}. In other words, the rest of the duties ought to be progressively abolished no later than 10 years since the agreement entered into force. The biggest achievement of this agreement is that Ukraine shall abolish all import duties on the goods origination in the EFTA states with the exception of those that were mentioned in the annexes to that agreement.

5.2.3. Fish and marine products

Both the EFTA States and Ukraine committed themselves to abolishing custom duties on fish and marine products from 1\textsuperscript{st} January 2014\textsuperscript{32}.

5.2.4. Agricultural products

The trade of unprocessed agricultural goods is covered by the bilateral Agreement on Agriculture between Norway and Ukraine. The document, together with the Free Trade Agreement, constitutes the Free Trade Area that was established between the EFTA States and Ukraine. As a result of it, Ukraine has better access to the Norwegian market than those countries that have not signed such an agreement and need to follow the existing import regime\textsuperscript{32}.

The EFTA States and Ukraine give tariff concessions for processed agricultural products. Furthermore, the EFTA States committed themselves to giving Ukraine equal treatment as for processed agricultural goods originating in the EU countries\textsuperscript{32}.

5.2.5. Agreement on Agriculture between Norway and Ukraine

The most important achievement of this agreement is that Ukraine grants tariff concessions to the agricultural products listed in the Annex I, which originated in Norway. Norway, in turn, grants tariff concessions to the same products, but originating in Ukraine that were specified in the Annex II\textsuperscript{34}.

\textsuperscript{32} EFTA Official Website: www.efta.int/free-trade/free-trade-agreements/ukraine (available in English)

\textsuperscript{34} The Norwegian Government: http://www.regjeringen.no_nb/dep/ud/dok/regpubl/prop/201
The Agreement on Agriculture encourages both country to pursue further liberalization of the trade in agricultural products.

5.2.6. Services

The structure and included regulations regarding the trade of services are based on the WTO’s General Agreement on Trade in Services (GATS). It means that the chapter covers trade in all sectors of services that belong to each of the four models of supply. The only exception is air traffic.

The rules concerning the trade of services are described in the Chapter 3 of the agreement. Annex VII, in turn, provides the list of specific commitments regarding the market access for Ukraine and Norway as well as other EFTA States.

When it comes to the trade of the services Ukraine takes obligations that exceed the requirements of WTO in the areas that are essential for Norwegian industry, among others for shipping services, financial services (marine and energy insurance), and telecommunications.

5.2.7. Investments

When it comes to investments EFTA is aimed at improving the legal framework conditions associated with investing in Ukrainian as well as the EFTA member states markets. The main goal here is to secure nondiscriminatory access to the markets, especially for direct investments as well as fair treatment of the investments that currently exist.

As a result, the provisions included in this chapter give Norwegian investors in Ukraine the same treatment as Ukrainians (with a few exceptions in specific areas where Ukraine has the right to discriminate- mainly those associated with land ownership for agricultural purposes). This chapter also provides minimum guarantees against unfair treatment regardless of whether there is discrimination.

5.2.8. Protection of intellectual property

The Free Trade Agreement commits both Ukraine and Norway to effective and nondiscriminating protection and enforcement of intellectual property rights. The Agreement gives better protection in definite areas than it is provided by The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).
5.2.9. Government procurement

Ukraine is not a party to the WTO multilateral Agreement on Government Procurement (GPA), whereas all the EFTA States are parties to this Agreement. In consequence, Ukraine had had no binding obligations for public procurement towards the EFTA States before the Free Trade Agreement between the EFTA States and Ukraine was signed and entered into force\textsuperscript{32}.

Trade Agreement’s rules provide guarantees of transparency and fair competition for public tenders\textsuperscript{32}. The access, thus, ought to be based on reciprocity.

The list of covered entities that is included in Annex XIV as well as thresholds and other country specific provisions (Annex XV) are especially of the essence due to the fact that they determine the procedures that must be obeyed by the government entities\textsuperscript{33}.

5.2.10. Competition

Chapter 7 raises the issue of competition. The whole section emphasizes the importance of avoiding anti-competitive business practices. The signatory states are required to enforce the competition law as well as cooperate on the issues associated with it in order to increase the benefits that the trade liberalization offers\textsuperscript{33}.

5.2.11. Institutional provisions, dispute settlement, and final provisions

Chapter 8 is connected with the issue of Institutional Provisions (it founds a Joint Committee to supervise and administer the Agreement).

Chapter 9 is associated with various procedures as well as rules concerning the settlement of disputes that arise from the Free Trade Agreement among the signatory states. Finally, Chapter 10 provides the final provisions included in the treaty\textsuperscript{32}.

Table 5 depicts the evolution of the merchandise trade between Norway and Ukraine from 2009 to 2013. It shows that the agreement resulted in increased Norwegian exports to Ukraine. Especially, the export of iron and steel has risen considerably after the Free Trade agreement entered into force.
Table 5. The evolution of the merchandise trade between Norway and Ukraine from 2009 to 2013

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<thead>
<tr>
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<tbody>
<tr>
<td><strong>IMPORTS</strong></td>
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<tr>
<td><strong>Norway</strong></td>
<td></td>
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</tr>
<tr>
<td>Total imports from Ukraine</td>
<td>170,559</td>
<td>152,259</td>
<td>164,539</td>
<td>173,049</td>
<td>124,484</td>
<td>100.00</td>
<td>-7.60</td>
</tr>
<tr>
<td>share of Norway's imports from the world</td>
<td>0.25</td>
<td>0.20</td>
<td>0.18</td>
<td>0.20</td>
<td>0.14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inorganic chemicals</td>
<td>18,195</td>
<td>30,976</td>
<td>83,770</td>
<td>77,384</td>
<td>66,668</td>
<td>53.60</td>
<td>38.40</td>
</tr>
<tr>
<td>Waste from the food industries, animal feed</td>
<td>22</td>
<td>16,246</td>
<td>17,209</td>
<td>14,173</td>
<td>17,302</td>
<td>13.90</td>
<td>-5.70</td>
</tr>
<tr>
<td>Toys and sports equipment</td>
<td>8,315</td>
<td>10,457</td>
<td>11,579</td>
<td>9,551</td>
<td>7,194</td>
<td>5.80</td>
<td>-3.60</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>339</td>
<td>1,099</td>
<td>1,083</td>
<td>4,102</td>
<td>5,442</td>
<td>4.40</td>
<td>100.20</td>
</tr>
<tr>
<td>Knitted apparel or clothing accessories</td>
<td>6,355</td>
<td>6,221</td>
<td>6,341</td>
<td>4,796</td>
<td>4,655</td>
<td>3.70</td>
<td>-7.50</td>
</tr>
<tr>
<td><strong>EXPORTS</strong></td>
<td></td>
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<tr>
<td><strong>Norway</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total exports from Ukraine</td>
<td>223,606</td>
<td>203,553</td>
<td>250,807</td>
<td>286,258</td>
<td>288,368</td>
<td>100.00</td>
<td>6.60</td>
</tr>
<tr>
<td>share of Norway's exports from the world</td>
<td>0.19</td>
<td>0.16</td>
<td>0.16</td>
<td>0.18</td>
<td>0.19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fish, crustaceans</td>
<td>208,779</td>
<td>177,226</td>
<td>209,164</td>
<td>244,550</td>
<td>244,548</td>
<td>84.80</td>
<td>4.00</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>149</td>
<td>59</td>
<td>18</td>
<td>190</td>
<td>16,991</td>
<td>5.90</td>
<td>226.80</td>
</tr>
<tr>
<td>Other Special Import Provision</td>
<td>2,277</td>
<td>9,377</td>
<td>12,387</td>
<td>11,829</td>
<td>9,660</td>
<td>3.30</td>
<td>43.50</td>
</tr>
<tr>
<td>Meat</td>
<td>1,634</td>
<td>2,864</td>
<td>3,303</td>
<td>4,865</td>
<td>5,413</td>
<td>1.90</td>
<td>34.90</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>2,368</td>
<td>2,075</td>
<td>2,864</td>
<td>4,852</td>
<td>3,459</td>
<td>1.20</td>
<td>9.90</td>
</tr>
</tbody>
</table>

5.3. IMPORT AND EXPORT REGULATIONS IN NORWAY

It is advised to contact your bank with respect to the most appropriate and beneficial way of securing payments for your goods and services. One may find among the available ways of payment such forms as documentary credit, forwards exchange contracts, open accounts and documents for collection35.

It is also essential to be familiar with what is included in trade documents. You should also know the international delivery terms (the most frequently used terms are Incoterms 2010- for more information about them check here: [3]) as well as the issues associated with import and export controls, free trade agreements and Norwegian Customs and Excise’s import and export guides.

With reference to import and export controls, in Norway certain goods, technology and services that you might want to export require an export license, which is issued by the Norwegian Ministry of Foreign Affairs. In order to get it one needs to submit an application on a special form. Norwegian Customs and Excise (Tollvesenet in Norwegian) is responsible for controlling whether the goods that are subject to the license are not exported without it and whether those goods are in accordance with the issued license3535. To read more about Norwegian Customs and Excise and the issues associated with imports and exports, visit the following website (available both in English and Norwegian): [4].

Furthermore, those enterprises that import food and live animals are required to register as well. They, in turn, have to register with the Norwegian Food Safety Authority (Mattilsynet in Norwegian) before they start importing such goods and/or animals to the Kingdom of Norway (to read more about the above mentioned issues visit the English version of the Norwegian Food Safety Authority website: http://www.mattilsynet.no/language/english/).

It needs to be kept in mind that one must not import any endangered or exotic species which are not Norwegian native ones. There are also special restrictions concerning the import of certain goods (it means that definite goods need either a special license, permit or might be prohibited). Visiting the following link you might check the list of such products (solely in Norwegian): [5].

Another important document that you need to be familiar with is, apart from the mentioned before the EFTA agreement between Norway and Ukraine, the EEA Agreement. There are various free trade agreements that Norway has signed, the basic consequence of these is that one might import goods duty-free or in a way that guarantees reduced duty rates.

Here you can find the signed free trade agreements (in the vast majority available only in Norwegian): [6]. In time, it is sensible to become familiar with the import and export guides prepared by the Norwegian Customs and Excise (Tollvesenet). They, for example, describe the rules connected with filling the custom declarations (how to fill them properly), give you an overview of provisions, etc35. In order to check the custom act and
regulations visit the two following links (both in English): [7].

Another important issue for every entrepreneur who does his or her business internationally is to be familiar with the rules of origin. This matter is a part of all free trade agreements that were signed by Norway. The above-mentioned rules define the degree to which a product needs to be processed so as to be given the status that classify it as a free trade good that is allowed to be exported duty-free.

The rules of origin also specify the amount of the material that come from a third state, which may be used in the process of production of a final good so as to be allowed to export it duty-free. They determine the requirements associated with such issues as documentation duties, shipment procedures, rules regarding repayment of custom duties, etc. as well. Furthermore, the existence of the pan-European cumulation of origin system (PECS) ought to be mentioned in connection with the rules of origin. The main objective of this system is to link all the free trade agreements that the European states signed. In consequence, European input materials may be freely used in the manufacturing process of originating goods. It should also be kept in mind that the application of free trade rules to various goods is certified in two ways (by two types or certificates of origin) i.e. The EUR.1 movement certificate and by invoice declarations36. In order to read more detailed information about these two certification forms visit the following link: [8].

Whenever one imports or exports goods, the complicated and essential issues of technical rules, standards, and product liability appear. That is due to the different regulations that various countries have with respect to the features of a product. The EU has been working for many years to develop common rules and standards that will be in force in all member states. Currently, one may find harmonized rules that are concerned with certain types of goods. It ought to be mentioned that owing to the fact that Norway is a part of the EEA it implements the EU rules regarding imports. Among the common European certifications and regulations one finds:

- CE marking (it confirms that the product adhere to European requirements connected with consumer health, safety and environment) which is compulsory for some goods that are imported to Norway,
- Certification (obligatory for certain products so as to guarantee their quality as well as that it is reviewed on the regular basis),
- Standards (recommendation associated with a definite product design or production method) which are, in fact, voluntary, however in Norway you might experience that a great many customers require them,
- Product Liability (it applies the rules defined in the Norwegian Product Liability Act-Produktansvarsloven) which specifies that the importer is financially responsible for the damages that resulted for the usage of the product, which was not as safe as it ought to be (applied to import from countries outside the EU/EEA)37.


Another salient issue for every importer is where the goods that were purchased abroad might be stored before they go through custom clearance. The answer for such a consideration is a bonded warehouse (tollagerhold in Norwegian). You need to bear in mind that there are relatively strict rules concerning the handling of undeclared goods in these places.

There are 4 different types of bonded warehouse systems:

- General warehouse (Customs warehouse A),
- Central warehouse (Customs warehouse B),
- Tax-free warehouse (Customs warehouse C),
- Processing warehouse (Customs warehouse D), to which various requirements (also with respect to accounting) applies.

In order to read further information about this matter, check the following link: [9].

When you are an importer it is also important to be familiar with the Norwegian Customs Tariff. The description and classification of products in the Customs Tariff is derived from an international convention.

In the process of goods clearance carried out by the Norwegian Customs and Excise (Tollvesenet), the above-mentioned issue is salient. Within the Custom Tariff one may find also the duty rates for the goods importation. It is worth mentioning that various products belong to different tariff classes and for each of which a maximum duty rate is determined (please note that the application of reduced duty rate is possible).

It is the TVINN electronic customs declaration systems that update the rates every night. In the systems, one might find also information concerning taxes as well as the restrictions related to the commodity code. In case of any doubts you are advised to contact a local custom office. To check the Norwegian Customs Tariffs 2014: [10]. Last but not the least, it is desirable to get to know the EU’s online customs tariff database (TARIC) and its duty rates. In order to do so check here: [11].

The last important issue regarding international trade is importation. This process can be conducted in a variety of ways e.g. using commercial agents, parallel import, by cooperation with resellers, via temporary import/ATA Carnet as well as through import form developing countries. Each method has its own advantages and disadvantages.

For example, resellers conducts their activities on their own behalf plus for their account (lower risk for exporter), commercial agents, in turn, do not possess an independent position in accordance with the Norwegian law (the Norwegian Agency Act- Agenturloven) and therefore are by this act protected.

To read more about each of the abovementioned forms visit the following webpage, where Laws and Regulations and further readings are available: [12]. To check the regulations regarding the importation of alcoholic beverages click this link: [13].

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6. PRACTICAL CASES: UKRAINIAN ENTREPRENEURS IN NORWAY

CASE 1: AN EXAMPLE OF ACQUISITION/FOREIGN DIRECT INVESTMENT-
THE CASE OF A UKRAINIAN SHIPBUILDING COMPANY

The Ukrainian shipbuilding company that was examined while preparing this guide is one of the leading shipyards in Eastern Europe. It mainly builds and repairs ships. Its headquarters is located in Crimea. The enterprise was established in the late 1930s and since then it has constructed various types of vessels such as torpedo boats, mine sweepers, tankers, icebreakers or frigates. It has built an offshore oil and gas equipment as well. The firm exports all its products to various European countries, including the Netherlands, Spain or the UK. After a great many years of cooperation with Norway (mainly exporting) it acquired a Norwegian company.

In accordance with the interviewee (Alexander) the above-mentioned company decided to choose acquisition as the mode of entry to the Norwegian market mainly due to its past. The firm has cooperated closely with many Norwegian partners for a great many years (about 10 years). Primarily, they have been building ships together with Norwegian yards. This cooperation scheme worked well for many years, however a couple of years ago the company understood that this form of cooperation became a little bit obsolete, mainly due to changes in the industry. Bigger enterprises with consolidated supply chains, and with complete value chains, started to dominate the market. As a result, certain steps to improve their competitive position were essential.

They considered two solutions: the sale of their company to a bigger European ship building group with a bigger value chain from basic designer up to the final outfitting and delivery of the key products, or they had to buy a company that will provide them with such a chain. It was decided to pursue the latter. The Ukrainian firm chose one of the biggest Norwegian ship building groups, which had been its Norwegian partner for many years.

The negotiation process took a great deal of time and money (about 1.5 years). The interviewee (Alexander) describes this process in a following manner:

“It was extremely difficult, we have been making this transaction for about a year and it has finalized only a couple weeks ago. Very difficult, very difficult”.

The acquisition process is always difficult regardless of the country in which it takes place. Furthermore, the Ukrainian company had definite problems associated with the takeover transaction of this particular Norwegian firm. Hence, this process took a lot of time.

For them the biggest problem was local tax legislation issues, thus they needed to hire some local lawyers so as to ensure that everything was done in an appropriate manner.

According to our interviewee, the major challenge for everyone who wants to invest in Norway is the fact that this country is very expensive (one of the most expensive nations in the world). Consequently, if you want to compete on the international market you need to be prepared that you will find companies that have lower costs owing to the fact that they operate in cheaper countries (you might, however, differentiate yourself, e.g. by emphasizing quality, etc.).

The interviewee advises Ukrainian businesspeople to, above all, rely on some kind of local support, because if you want to buy or sell something in Norway you will need local consultancy (e.g. lawyers) when it comes to such issues as legal and financial questions, organizational forms, etc. Finally, he argues that Scandinavian partners are the best in Europe:

“At least for me, working with Scandinavian partners is my priority because for me they are understandable, they are transparent, they don’t try to make a lot of tricks and they don’t try to cheat you so much. And they are focused on business and on the final result and they pay good price if you fulfill your job properly. This is if you will have the same incentives as your Norwegian partners. If so, it would be easy to cooperate for you in Norway.”
CASE 2: AN EXAMPLE OF FDI/SOLE PROPRIETORSHIP - THE CASE OF A UKRAINIAN CONSTRUCTION CONSULTING COMPANY: ENTREPRENØR DIMA HEGER

Dima established his own firm in Norway in 2013. The company’s activities are associated with consulting services in the construction business, management and dissemination of craftsman services, and with all that belongs thereto, including participation in other companies and facility management. This enterprise operates as a sole proprietorship (that is the registered type of business entity). Dima decided to open a firm in Norway because he knows the construction business very well. In addition, the fact that within this sector one may earn good money was also a decisive one for him.

With respect to the registration process, he emphasizes that the traditional way, i.e. sending papers through the postal services, is equally effective but requires more time. Before he decided to establish a firm in the form of a sole proprietorship, the entrepreneur considered other types of business entity, mainly a limited company (AS- aksjeselskap in Norwegian). Eventually, the idea to open a limited company was abandoned, mainly due to the share contributions requirements, and also the necessity of having an accountant and a partner. All of these were too complicated in the initial phase of his activity. The interviewee claims that the biggest challenge when it comes to opening a business in Norway from his perspective was the need for good contacts:

“*In Ukraine you can just give paper to a special Internet websites to promote, advertise your business and it works well, but in Norway you need all these references and people need to know you, because where I work – that is in the consulting-construction business – you need to have good references. If you don’t have them it is very hard to enter the market.*”

In order to establish his market position, he decided to come in contact with big Norwegian construction companies that employ people from Eastern Europe, primarily the Baltic countries and Poland, and offer his help with respect to various issues associated with their job performance in Norway. Dima describes his work as follows:

“When the construction companies use people from East Europe then they need some education because they cannot speak good English or Norwegian so they face a lot of miscommunication and they have a lot of problems. So in the end I kind of solve the miscommunication problems, I can give them the plan for the future – what they are supposed to do. I am familiar with all these issues and the Norwegian technology stuff. I just make sure that all the jobs that they need to do, are done correctly, according to the Norwegian regulations”.

The entrepreneur also highlights that it is much easier to do business in Norway. Help from the tax authorities here is considerable. Furthermore, the interviewee has experienced a great deal of support from different Norwegian institutions since he opened his enterprise.

Nonetheless, he emphasizes that one should not ignore the Norwegian authorities, because if one disobeys the rules and regulations, one can be fined as severely as in Ukraine. The interviewee also notices an important difference between these two counties, namely the lack of corruption in Norway.

When it comes to the biggest challenges of doing business in Norway, Dima again mentions the importance of making good contacts based on good references. In his view, a good reputation is of the essence in Norway. In order to obtain it, one has to be honest, cannot cheat, or use any tricks.

Due to his hard and honest work Dima does not have to find customers anymore. Conversely, they call him and want him to do certain kinds of jobs. It is all because of his good reputation. When the customers phone him they usually say: “*I’ve heard that you have a very good reputation, that you keep promises, do your business wisely and we want you to work for us.*” Thus, it might be argued that having good references really matters in Norway.
Olga came to Norway in 2011 to her newly married Norwegian husband. Being a professional musician, she had no problem finding a job in her local municipality as a teacher. However, two obstacles made her to register her own sole proprietorship. First, additional income from private lessons was desired as an addition to the main salary. In this case, registering a private business is required. Second, some jobs, such as conducting a local chorus, may be offered as a normal part-time salaried position and in a form of contract between an employer and an entrepreneur. Since the leaders of the chorus preferred the later, Olga had to become an entrepreneur if she wanted to increase her income.

Olga registered her sole proprietorship just one year after arriving in Norway. At that time her Norwegian was on a very basic level, but she says that starting a business in Norway is quite possible without being fluent in Norwegian. However, taking into account the necessity of communicating with the clients, she makes considerable efforts to improve her language skills.

Now she does her bookkeeping herself, but she notes that her husband helped her a lot at the initial stage. He contacted authorities when it was needed and guided her through the registration process.

One of the important recommendations from Olga is to take part in one of the business courses provided by local authorities. These courses cover essential topics any foreign entrepreneur needs to be aware of. Moreover, a course provides access to experienced advisors, who may guide a would-be-entrepreneur through the establishment process.

According to Olga, doing business with Norwegians is a safe and pleasant experience. She recommends to be “Open and honest with them. They are not people that try to cheat you.” In one case, the client paid more than Olga required for her services because the client considered the price to be unfairly low.
Natalia established her company in 2006. The main area of her activity is associated with placing au pairs or nannies in families in Norway, Denmark and Sweden. 70% of the placements take place in Norway, there are a considerable number of customers from Denmark, and also some come from Sweden.

Natalia started doing this kind of business free of charge, when she was working in Denmark. She called potential families and tried to find options through the newspapers. When she moved to Norway she decided to continue this kind of work. She posted advertisements and tried to find a host family for the friends from Ukraine who wanted to be au pairs. At the beginning it was merely a hobby, later it became a way to earn decent money. By helping a company that made money on au pair placements she found out that this type of business activity might actually be profitable. That time, she was working for the Norwegian optician company Brilleland. She started her au pair agency and worked in the evenings, and when she saw that it worked Natalia changed her position to half time, working 50% at the optician and 50% for herself. Natalia thinks that having a regular salary was important for her in the initial phase of carrying out her enterprise. When she earned enough just to conduct her own business she decided to put all of her attention and effort into her company.

Natalia chose sole proprietorship as the form of incorporation. She admits that currently this type of business entity is not completely appropriate for her because it incorporates a great many responsibilities (100% liability for all activities). She is considering a change into a limited company in order to decrease the extent of liabilities. The rationale for choosing sole proprietorship back in 2006 was simple — it was the cheapest and the least demanding form of incorporation for her. By having this type of business entity, Natalia did not have to have an auditor, the registration was free of charge i.e. it did not require any equity capital/start-up capital as in, for example, the case of a limited company (back in 2006 the capital requirement was equal to 100,000 NOK). Currently, it is easier because one solely needs 30,000 NOK, and if you earn less than 5 million NOK you do not have to have an auditor to establish a limited company. When it comes to the process of the enterprise foundation in Norway, the interviewee defines it as “really easy”. With respect to the transparency of regulations and laws in Norway, Natalia argues that they are very clear and that the information concerning the companies is open and freely available to the public through Brønnøysundregistrene webpage. Although the interviewee has never conducted any business in Ukraine, she claims that she would not be able to do the business there due to such issues as bureaucracy, corruption or frequently changing economical and accounting rules. In Norway, she can just focus on doing business and earning money. Despite the fact that she does not like accounting, she prepares the required reports and statements by herself. Natalia thinks that such a situation is impossible in Ukraine where one has to have an accountant that takes care of solely accounting issues (due to higher complexity of the Ukrainian laws and regulations). In her opinion “accounting is an important part of doing job in Ukraine because different authorities try to get some bribery, to let you pay and so on”. Describing the taxation system in Norway, she puts emphasis on paying taxes on time and not cheating on them. Even a one-day delay will result in a serious penalty from the tax authorities. As the biggest advantage of the Norwegian tax institutions, she mentions a great deal of help that they give to everyone. Natalia claims that one can call the tax office and ask about everything. She perceives them as people who try to help you, not necessarily to control you. As the final remark with reference to this area of business activity she talks about the frequency of submitting the financial reports and tax statements to the public authorities in Norway. At the beginning of her activity, when she earned less than a million NOK per year, she needed to prepare her statements solely once a year. It was very convenient for her – she could have just focused on doing business, not on the paperwork (nonetheless, the days before the deadline were quite busy for her). Now that she makes higher revenues, she needs to pay e.g. VAT every other month, thus she needs to prepare the relevant documents every other month. With respect to the issue of payments, she is realistic and she knows that not everyone will pay (it happens everywhere), however due to the effectiveness of the debt collection system in Norway she is certain that she will get her money sooner or later. The biggest challenge for her is the necessity to be quite big and earn quite a lot in Norway in order to hire people. The reason for this is that Norwegian law makes it almost impossible to dismiss someone who works in a full-time job position, as well as giving employees a great many benefits and privileges. In her opinion, Norwegian workers are used to very low unemployment in Norway, and thus they are not afraid to lose their jobs. They will do their job properly, but they will not work extra hours without extra pay.

Finally, when it comes to the advice for Ukrainian firms or people that want to open an enterprise in Norway, she emphasizes one important thing – not to be afraid: “I think most the things will succeed because if you work hard and you are a specialist - you know what you are doing, then it would be possible, but you cannot count on hiring good Norwegian specialists from the beginning. You have to count on yourself."
Part II:
How to establish a business in Norway

The necessary information for those who want to start their own company in Norway
7. WHAT SHOULD YOU DO WHEN YOU MOVE TO NORWAY?

Before you move to Norway, there are certain formal requirements that you need to meet. The most important ones are those associated with visa procedures. Please note that this section is aimed at those of you who have just Ukrainian (or other non-EU/EEA country) citizenship. Citizens of the EU/EEA just need to register online on the UDI webpage. Moreover, the citizens of those countries also do not have to live in the Kingdom of Norway so as to set up a business. If they do not reside here or do not employ anyone, they are required to have a Norwegian representative who is responsible for the payment of taxes (both direct and indirect ones). The contact person, however, might live abroad if there is no economic activity.

The UDI (Utlendingsdirektoratet) is an institution responsible for granting a visa to foreign citizens outside the EU/EEA. It is advised to visit its website (www.udi.no) as soon as you start thinking about establishing your enterprise in Norway. The basic requirements for your business as a ground for getting a residence permit are described in section 6-18 of the Regulations of 15 October 2009 on the entry of foreign nationals into the Kingdom of Norway and their stay in the realm (Immigration Regulations). A Ukrainian citizen, however, may also register other types of business (different partnerships and Norwegian-registered foreign enterprises) under the condition that the foreigner has a central role in business activities. In this case general rules for foreign specialists (section 6-1 of the same document) will regulate granting of residence permits. In all cases, the work you are going to do in your business should require the self-employed person to have qualifications as a skilled worker. In order to be employed in your own business, you have to fall within the quota of skilled workers and specialists which for 2014 is equal to 5000.

In order to check if your qualifications are within the current quota, the Ministry of Labor and Social Affairs (Arbeids- og sosialdepartementet) should be contacted.

The main focus here will be those of you who want to open a sole proprietorship in Norway (check the forms of incorporation below). The other types of business entity such as limited company, public limited company or partnerships and the requirements connected with their establishment will be presented further in the guide.

7.1. STARTING A SOLE PROPRIETORSHIP AS A UKRAINIAN CITIZEN

First and foremost, you need to pay an application fee. Currently, the fee amount is equal to 3000 NOK. Furthermore, you need to document one of the required types of education / qualifications (their full description can be found here: [14]). Hence, it is important to have (apart from your passport) all the necessary certificates, documents that you think might be necessary or demanded in Norway, translated into English (or Norwegian if possible). You are required to have plans connected to conducting long-term business activities in the Kingdom of Norway. In addition, in your firm you have to use your qualifications and you must have a certain financial basis for your business activities.

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41 UDI: https://www.udiregelverk.no/no/rettskilder/sentrale/utlendingsforskriften-engelsk/ (available in English)
42 The Norwegian Government: http://www.regjeringen.no/en/dep/asd.html?id=165 (available in English)
43 UDI: www.udi.no/en/word-definitions/fees/#link3 (available in English)
Finally, your expected business income (profit that is taken out) cannot be lower than 234,684 NOK per year (the amount before tax). Furthermore, it is essential to obtain the necessary permission (if such permission is required to do your business) from the appropriate authorities before you start your business activities. Remember that the residence permit is granted for the period of one year at a time, however after three years you are entitled to apply for a permanent residence permit. It is worth mentioning that your family might apply for family immigration. Consequently, your close relatives will be able to come and live with you in Norway.

The application needs to be submitted to a Foreign Service Mission (The Royal Norwegian Embassy in Kiev) or to the police in Norway, when you leave Ukraine. Usually, the required time to process it is three months.

When you have your visa granted you can move to Norway and open an enterprise there. The first step that you need to make is to register yourself in the Norwegian tax office (Skatteetaten). Owing to the fact that you want to stay in Norway for more than 6 months (you want to establish a firm), you need to report that you moved to Norway as soon as you arrive (within 8 days). In order to do so, you are required to fill in a special application form (RF-1401E). The complete list of required documents for the citizens of countries that are not members of the EU/EEA is available here: [15]. Moreover, you will also have to apply for a tax card (because you are going to work here). It is worth mentioning that any change of address, even within Norway, must be reported to the tax office. You will also receive a Norwegian ID number from the Norwegian tax office (Skatteetaten).

The guidelines for how to establish a business in Norway (your next steps) will be given in the following section.

8. HOW TO ESTABLISH A BUSINESS IN NORWAY

8.1. HOW TO OPEN A COMPANY: A PRACTICAL GUIDE IN A NUTSHELL

In order to make it easier for you, the different steps that are necessary to establish an enterprise in Norway will be briefly discussed here. Subsequently, more comprehensive description will be provided.

1. In the first phase you will have to decide on several very important things concerning your business. Initially, you need to have a good plan for your business (it is also important to get a visa to Norway). You need to check if any licenses, permissions, etc. are necessary in order to conduct it. Then, you must:

- decide what type of business entity you want to choose. Among the available ones you have: Sole proprietorship (Enkeltpersonforetak), Partnerships (Ansvarlig selskap-ANS/DA), Limited company (Aksjeselskap-AS), Cooperative societies (Samvirkeforetak-SA), Public limited company (Allmennaksjeselskap-ASA), Associations (Foreninger), Foundations (Stiftelser), Norwegian-registered foreign enterprises (Norskregistrert utenlandsk foretak-NUF), and European Company (Europeisk selskap-SE-selskap).

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44 UDI: www.udi.no/en/want-to-apply/work-immigration/skilled-workers/?c=ukr#Self-employed-persons-with-a-company-in-Norway-8 (available in English)
45 UDI: http://www.udi.no/en/word-definitions/case-processing-times/#link1 (available in English)

46 The Norwegian Tax Office: www.skatteetaten.no/en/Skjemaer/Notification-of-move-to-Norway-from-abroad1/ (available in English)
in addition, you need to choose the name for your firm. It is advised to find a unique one. Remember that it has to fulfill certain requirements as defined in the Norwegian law.

2. In the second phase you will be required to do some salient things associated with the registration process in various public institutions. The most important one are:
   - register your enterprise (list of the registration fees is available here, in English http://www.brreg.no/english/fees_reg/, the required time for the processing of your application, or changes in your company, depends on the case, nevertheless it takes less time when it is done electronically),
   - register with the VAT Register (it is free of charge), if you your sales and withdrawals will exceed 50 000 NOK in the twelve months period,
   - register your employees (if you have any),
   - decide whether you need an accountant and an auditor as well as find out when more detailed accounts must be prepared,
   - become familiar with the definition of a business document in Norway,
   - get to know how you can protect your rights, innovations, etc.,
   - become familiar with the laws and regulations associated with the issues of pensions and insurance in Norway (very important matter – read it carefully).

3. The third phase will be connected with doing everyday business in Norway. As soon as you complete the two previous phases you will be entitled to buy, sell and thus, earn money here. In order to carry out your activities in the most efficient and appropriate manner you need to be familiar with a few issues:
   - you need to know various taxes in Norway (taxation system) and their rate (especially VAT),
   - what the enterprise tax is and its relationship with different forms of incorporation,
   - when you should report VAT,
   - how the taxation of company cars looks like in Norway (if you will have a company car),
   - how the financial reporting, accounts, requirements associated with accounting and auditing are defined in the Norwegian laws and regulations,
   - what you need to do if you want to employ a worker in Norway, what your duties and rights are, what kinds of pay your employee can receive, etc.,
   - what the regulations connected with holidays and leave of absence are as well as sickness absence in Norway,
   - what your other tasks associated with doing business in Norway are.

In addition, the most important links concerning liquidation and bankruptcy in Norway will be provided so as to give you the overview of the laws and regulations connected with this unpleasant matter. The following sections will give you comprehensive information regarding each of the above-mentioned issue associated with doing business in Norway.

Figure 3 depicts the simplified picture of the process of establishing a company in Norway from the perspective of a Ukrainian entrepreneur.
Figure 3. A simplified picture of the process of establishing a company in Norway

I have a Norwegian ID number

I do not have a Norwegian ID number

Apply for a visa and ID number

The application must be submitted to UDI/a Foreign Service Mission

Submit your passport

Attach the documents that confirm your education/qualifications

Attach your business plan

Apply for permission/license to conduct your business from the appropriate authorities (if necessary)

Register yourself with Skatteetaten (the Norwegian tax office)

Apply for a tax card

Decide on the form of incorporation and the name of your enterprise

Register your company with Brønnøysundregistrene

Register employees (if you have any)

Start conducting your business

Become familiar with laws, regulations and other important issues e.g. how to protect your rights

Register with VAT

Register when your sales and withdrawals will exceed 50,000 NOK

Available types of business entity:
- Sole proprietorship
- Partnerships
- Limited company
- Cooperative societies
- Public limited company
- Associations
- Foundations
- Norwegian-registered foreign enterprises
- European Company

Remember—your business income cannot be lower than 234,684 NOK per year so as to get a visa renewal. Your salary cannot be less than 500,000 NOK if you are employed in your own company.
8.2. FIRST PHASE: PLANNING YOUR BUSINESS—WHAT KIND OF DECISIONS YOU NEED TO MAKE?

The initial phase of planning your future activities is crucial. Having a good business plan clarify, facilitate and guide an entrepreneur towards his/her ultimate goal, i.e. possessing a thriving firm. In case you need some help in improving your business idea or establishing contacts with important institutions, you may ask municipal entrepreneur advisers (etablererveileder in Norwegian) to give you a piece of advice in the form of guidance and assistance.\(^{47}\)

In case your project is extremely innovative and/or has high growth potential, you can get some support from Innovation Norway (http://www.innovasjonnorge.no/) which, among others, helps entrepreneurs to transform their ideas into real businesses, provide competence, financial support, advisory and promotional services, access to the enterprises network, and tries to enhance innovations in Norway.\(^{48}\) The majority of information there is available only in Norwegian.

When you decide what kind of business you are going to conduct and how, you need to make sure whether the chosen industry in which you are going to operate, requires permission or not. In general, there is a freedom of establishment in Norway, however certain sectors are the subject to legal licenses and permits (especially activities connected with serving food and selling alcohol). The full list of regulated industries you can find here: [16]. It is also possible to call the Altinn’s Business Information Service by dialing (+47) 800 33 840 and ask them if permission for conducting defined activities is necessary.\(^*\)

In the initial stage you will have to decide on the other vital issues as well. First of all, it must be clear for the tax authorities that you conduct a business, not a hobby.

To be perceived as a person that does the former, not the latter, your enterprise needs to be commercial in its nature—that is the operations which are performed by the firm have to give you the opportunity to make a profit, regardless of if your business brings you profits or losses in the initial phase of your activity. Finally, your activity must be carried out on your own behalf and risk. If you are uncertain how your enterprise should be classified you need to contact the Norwegian tax office (Skatteetaten) using one of the available ways of communication presented here: http://www.skatteetaten.no. With respect to the VAT issue, your organization will become liable to be registered in the VAT register when its sales exceed 50,000 NOK during a twelve months period. If you exceed the above mentioned limit for the first time you have to add the VAT to the entire amount of the invoice.\(^{49}\) For further information concerning the VAT matter, check the subsequent parts of this guide. It is worth mentioning that in Norway everyone who is subject to taxation pays the required amount of taxes. Tax frauds are not socially and legally acceptable.

The distinction between being self-employed and an employee might sometimes be difficult to draw. It is however an important issue in the Norwegian law. Certain features indicate whether your activity belongs to the former or the latter category. The list of the most

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\(^{47}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Planning/Where-you-can-seek-advice/ (available in English)

\(^*\) All authorities in Norway speak English

\(^{48}\) Innovation Norge: www.innovasjonnorge.no/no/english/#U9VmeF1_uSp (available in English)

\(^{49}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Planning/When-does-something-become-a-business-activity/ (available in English)
important differences between these two forms are listed here: [17] and here: [18], where the Norwegian definition of freelancer is presented. 

In addition, you need to be aware that in Norway, in practice, every organization must be registered in the Central Coordinating Register for Legal Entities (Brønnøysundregistrene - http://www.brreg.no/ which consists of different registers, all of which are free of charge). Theoretically, a great many sole proprietorships and associations (e.g. NGOs) do not need to register in the above-mentioned institution, however if such an organization wants to have a bank account, the bank will require from it an organization number, which is given solely by Brønnøysundregistrene (in this case in the register called Frivillighetsregisteret).

In general every entity which possesses employees needs to pay VAT and is registered either in the Register of Business Enterprises (Foretaksregisteret in Norwegian) or in the Register of Foundations (Stiftelsesregisteret) and is obliged to be registered in the Central Coordinating Register for Legal Entities50.

With respect to the issue of banks, the provided product, services and conditions for enterprises differ and therefore it is advised to carefully check the advantages and disadvantages of each bank’s offer. In order to open an account you need to bring your passport and the Norwegian personal number or D-number (obtained from Skatteetaten- the Norwegian tax office).

In order to see the complete list of banks that are registered in Norway check the following link (available in English): http://www.bankenessikringsfond.no/en/Main/Members/.

8.2.1. What types of business entity can you choose in Norway?

One of the important decisions for you is to choose the most suitable form of incorporation. Among the available forms of incorporation one may find:

- **Sole proprietorship (Enkelt-personforetak)** - a type of business entity in which a natural person is fully liable for an enterprise, including its financial obligations as well as liabilities. In other words, the owner, who is responsible for every decision concerning the firm, has unlimited, personal responsibility for all debts of his or her business (on the other hand, it also receives all profits he or she earns). In Norway there are no specific regulations concerning this form of incorporation. Nonetheless, when an organization employs more than 30 workers special requirements are in effect. In general, the owner needs to be at least 18 years old (there is an exception for this rule), but he or she is not required to live in Norway – merely the firm itself must have an address in the Kingdom of Norway. With respect to the issue of taxation- all net profits from the activity constitute a part of or the total income of the owner (it depends on the fact if he or she works also as an employee or not). The same applies to the losses (they will be deductible). The registration of a proprietorship in Brønnøysundregistrene will result in obtaining an organization number. It needs to be registered if there are at least five persons employed in this type of an enterprise or if it conducts wholesale or retail activities51;


- Partnerships *(Ansvarlig selskap-ANS/DA)*- can be characterized as an association of at least two partners – owners who are responsible for all liabilities of their business either separately or jointly. In Norway one may observe mainly two structures of this form of incorporation: general partnerships *(ansvarlig selskap-ANS)* and general partnership with shared liability *(selskap med delt ansvar- DA)*. In the former every partner is fully, personally liable for the entire debt of his or her firm (jointly and severally). It means that if one of the owners cannot pay the debt, it can be claimed from any other partner in the full amount. In the latter, however, the owners (jointly liable), who are similarly personally responsible for their organization’s liabilities, are merely liable for the debts to the degree of their stake in the partnership. It means that if a partner has an interest equal to 25% in the enterprise, only 25% of the firm’s liabilities can be claimed from him or her, regardless of the situation of the other partners. With respect to the legal requirements they are as follows. In order to be a partner you need to be, similarly to the above-mentioned form, at least 18, be a naturalized or legal person, the partners do not have to live in the Kingdom of Norway, however the head office of the enterprise needs to be placed in Norway. Moreover, there is a requirement associated with the partnership agreement that has to contain certain elements (among others, it must have the date, signatures of all owners-partners, be in the written form, describe the object of the partnership and the value of the contributions). It is required to register this type of business entity before the operations of the business begin. The document templates of such an agreement are available here: [19];

- Limited company *(Aksjeselskap-AS)*- this type of business entity allows the owners-shareholders not to be held personally responsible for the liabilities of their enterprise. It is possible due to the fact that a company constitutes an independent legal entity. Consequently, the only loss that a shareholder can incur is the amount of the capital that he or she invested in the firm. In other words, the debts can be claimed solely from the company itself, not from the owners. In this form of incorporation the minimal amount of the share capital contributions is equal to **30,000 NOK in total**. There are two ways of making the share contributions, namely in cash or non-cash. In the former case, a financial institution can confirm the contribution, in the latter, one has to prepare an opening balance and obtain a confirmation from an auditor (it also requires the assessment of the value of a contribution no later than four weeks before the formation of an enterprise). Furthermore, the owners do not have to exceed the amount of capital contributions that they are individually required to pay. Finally, one person is also allowed to own all shares of the company. For more information as well as document templates please see the following link: [20];

- Cooperative societies *(Samvirkeforetak-SA)*- this form of incorporation can be described as an association that aims at promoting financial interests of its members by allowing them to participate in the company as suppliers, customers or similar. This form is seldom used unless you have a special need. For further readings, forms and Laws

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and Regulations (only in Norwegian) check the following link: [21];

- **Public limited company (Allmennaksjeselskap-ASA)** is a form that is suitable for organizations that can be characterized as having a great many shareholders. This type of business entity gives the owners limited responsibility. The minimal share capital for this form of incorporation is equal to 1 million NOK. Finally, a board of directors that contains at least three members and fulfills the gender requirements as well as having a general manager is required54. To check the Laws and Regulations regarding this type of business entity check here: [22] (documents available solely in Norwegian);

- **Norwegian-registered foreign enterprises (Norskregistert utenlandsk foretak-NUF)** this form of incorporation is suitable for a foreign company that wants to register its branch and do business in Norway. This type of business entity is of lower importance for this guide. In order to check how NUF in Norway can be registered, what the Laws and Regulations as well as application forms are check the following link: [23];

- **European Company (Europeisk selskap-SE-selskap)** this form of incorporation was created in Norway for those international, EU/EEA companies that conduct cross-border business activities and are registered as public limited companies. The existence of such a form facilitates them conducting their commercial operations within the EU/EEA. The legal requirements concerning the starting capital specify that it cannot be lower than 120,000 EUR. Furthermore, the enterprise must be registered in the state where the headquarters is located55. For further information regarding the legal issues as well as particular Laws and Regulations check the following link: [24];

- **Associations (Foreninger)** an independent organization form that is either open or closed to the general public. Its purpose is to promote one or more humanitarian, social or similar objectives. Since this guide does not focus on these objectives, we refer to the following link for further information: [25];

- **Foundations (Stiftelser)** are established when, through a donation, will or as a result of other legal disposition, assets are made available. Being irrelevant for most of the readers of this guide, we refer to the following link for further information: [26].

It is worth mentioning that the first four forms are the most used when a small firm is established. The choice of each of the above listed types determines the amount of risk that an owner will have to bear and earning potential, to which he or she will have the legal right56.

8.2.2. How shall I name my company?

There are certain legal requirements regarding the acceptable form of the company’s name. First of all, it needs to contain at least three letters that occur in the Norwegian alphabet. Secondly, the name needs to indicate the type of business entity that was chosen (it must include either the full Norwegian word or abbreviation of the available forms of

54 Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Choosing-an-organisational-structure-/Public-limited-company-ASA/ (available in English)

55 Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Choosing-an-organisational-structure-/European-Company-SE/ (available in English)
incorporation e.g. the previously described AS, ASA, DA, SA, etc.). Furthermore, the name cannot be identical to an already-registered name, correspond merely to the name of country, municipality or county as well as it is not allowed to register potentially provoking or misleading names. Finally, apart from the letters the name of an enterprise in Norway may contain certain defined symbols as well. The examples of those are numbers, spaces, orthographic or mathematical symbols. It is worth mentioning that the rules concerning sole proprietorships are slightly different\textsuperscript{57}.

In that case, the name needs to have the owner’s surname, however it is not allowed to include any other personal name additionally. It leads to problems where the requirement says that an organization’s name cannot be identical to someone else’s. The other restrictions regarding the firm’s name that were described above do not apply in the case of sole proprietorship if the name of the owner has less than three letters or is the same as e.g. a municipality. You need to be aware that even if the name of your firm was approved by the Register of Business Enterprises (\textit{Foretaksregisteret-Brønnøysundregistrene}) and fulfills all the requirements that have been listed above, other companies or their owners can complain to \textit{Patentstyre} (the Norwegian Industrial Property Office-NIPO) if they think that your name might be confused with the one that they had registered or their trademark.

Therefore, it is better to create such a name that is unique and cannot be confused with the others. Furthermore, so as to check the availability of the desired name visit the \textit{Brønnøysundregistrene} website (brreg.no) and look up if it is similar to those that has already been registered. With respect to the trademark issue, you can either use NIPO’s search service or contact NIPO (the latter will be a subject to a fee- it takes a few days and does not cost more than a couple of thousand NOK)\textsuperscript{58}. For more information, Laws and Regulations visit the following website: [27].

With respect to the above-mentioned exclusivity of the name of your enterprise, you need to register it both with the Central Coordinating Register for Legal Entities (\textit{Enhetsregisteret-Brønnøysundregistrene}) as well as with the Register of Business Enterprises (\textit{Foretaksregisteret-Brønnøysundregistrene}) in order to have your name protected. For more information regarding this issue visit the following link: [28]. Additionally, you may think about obtaining a Norwegian domain name. If you want to get one, your enterprise needs to have a valid organization number in \textit{Enhetsregisteret} as well as a Norwegian postal address. Check Norid (\url{http://www.norid.no/}) if you want to look up the availability of the desired domain name\textsuperscript{59}.

8.2.3. What are the duties of companies that use foreign contractors?

There are a few important requirements associated with the reporting of assignments designated to foreign companies. First of all, every assignment as well as sub-assignment given to a foreign contractor needs to be reported (both by public bodies as well as businesses) to \textit{Sentralskattekontoret for utenlandssaker} (SFU) (the Central Office-Foreign Tax Affairs (COFTA)). It should be done

\textsuperscript{57} Altinn: \url{https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Requirements-for-the-name/What-name-can-you-choose/?epslanguage=en} (available in English)

\textsuperscript{58} Altinn: \url{https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Requirements-for-the-name/What-name-can-you-choose/?epslanguage=en} (available in English)

\textsuperscript{59} Altinn: \url{https://www.altinn.no/en/Start-and-Run-a-Business/Before-start-up/Requirements-for-the-name/Exclusive-right-to-the-name/?epslanguage=en} (available in English)
by using the special form i.e. RF-1199 “Information about contracts, contractors and employees.” It applies to three kinds of work: the activities performed on the Norwegian continental shelf, to building and assembling tasks done within the Norwegian borders or to the work on a site that is under the customer’s control in the Kingdom of Norway.

Such measures are not required if the contract’s value is lower than 10,000 NOK or if the client is a private person. In any case, if the requirement concerning the discussed reporting is applicable, the client needs to provide the information about the employees that perform the agreed assignment as well. The same duty applies to the foreign contractor. Nevertheless, it is sufficient if merely one of the above-mentioned sides report this information to the appropriate authorities. This information has to be reported at your earliest convenience, at the latest 14 days after the work has begun. If any change occurs after the reporting the updated information needs to be sent, again, at the latest 14 days after the change was made. It must be kept in mind that the enforcement fines or penalty chargers might be imposed on those who failed to report the required information.

8.3. Second Phase: The Registration Process and the Beginning of Your Business Activity

Up to this point you have gotten to know certain legal issues associated with the form of incorporation, the registration of your name as well as with the requirements related to the foreign citizens who want to open a business in Norway. In this part of the guide you will become familiar with the registration process and with other matters that are salient in the initial stage of your business activity. In Norway it is not very complicated to register your enterprise and basically it takes place in one institution i.e. Brønnøysundregistrene. Formal registration, as well as other procedures related documenting economic activities and paying taxes are very important. Despite relatively mild punishments for tax fraud, bribes and other business-related crimes, they are systematically searched for and severely punished. General intolerance of the public to cheating and crime in combination with effective communication between various state authorities suggest that it is unlikely that illegal business activity will be profitable in the long run.

The following paragraphs will provide you with quite detailed information regarding the business registration.

8.3.1. Registration Process in Brønnøysundregistrene

First of all, as a reminder – you have to register your firm in the Central Coordinating Register for Legal Entities (Enhetsregisteret-Brønnøysundregistrene) as soon as you found a company, employ workers, or start selling goods and services which are liable to value added tax. The Coordinated Registration Notification Application Form (Samordnet registermelding in Norwegian) provides all information to Brønnøysundregistrene, the Tax Office (Skatteetaten) as well as to the Norwegian Labour and Welfare Administration (NAV). It is an electronic registration form used.

“Registration of sole proprietorship is free of charge and it took two weeks or something. Now I think you can sign it electronically but in 2006 I had to print it, sign it and send it to Brønnøysundregistrene. Then they sent the registration number to me. Once I changed the company’s name - because I changed the name to Energy Au Pair - it was also easy. It took only some days”.

Natalia Ravn-Christensen, owner of Energy Au Pair

60 Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Befor-start-up/From-abroad/Duty-to-report-assignments-awarded-to-foreign-enterprises/ (available in English)
both when you establish an enterprise and when you want to make some changes associated with your business (including the case of moving to other places). The Coordinated Registration Notification can be found here: [29] and it enables the applicant to complete the form step by step as well as skip those questions that are not applicable\(^61\).

As soon as you send it, the process of checking your application will begin. The approval of your registration will be depending on the completeness of the provided information. If something is missing or incorrect you will be requested to improve your application and resend it. It is good to use the checklist for registration prepared by Brønnøysundregistrene while you apply (see the guide that is available in English here \[30\])\(^62\).

It should be emphasized that in Norway it is better to use electronic registration, because it is cheaper, easier, and the processing time is shorter. Moreover, while registering you must remember to enclose all the necessary attachments and signatures\(^63\) (the list of the necessary attachments can be found here - available in English: [31]). Furthermore, the Coordinated register notification must be completed in Norwegian (the application form is also available solely in Norwegian). In order to fill in the discussed application form visit the following website (in Norwegian): [32].

As soon as you are registered with the Register of Business Enterprise (Foresaksregisteret-Brønnøysundregistrene), or when you make any changes in it, you will receive a certificate of registration (Firmaattest in Norwegian). The possession of the certificate is useful, because a great many customers, suppliers and lenders require it (especially its recent version). The updated version of the certificate might be downloaded from here (only in Norwegian): [33]. It is available for you at any time\(^64\).

In Norway it is also possible for a business owner to authorize someone else to act on behalf of the company regarding the issues associated with its operation. Such an action is known as the power of procuration (prokura in Norwegian). It can be issued to a few persons. Such powers of procuration can be used jointly or separately. It is worth mentioning that a proxy (a person that has powers of procuration) cannot take, for example, a mortgage on the firm’s real property, sell it or assign the given power to another person. He or she may, however, sign a document (explicitly stating that he or she is a proxy). Last but not least, it can be withdrawn at any time\(^65\). Laws and Regulations regarding the above-discussed issue are available here (solely in Norwegian): [34]. With respect to the issue of signature rights, it might be assigned to various legal subjects.

\(^61\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Start-up-and-registration/Registration-of-the-enterprise/Where-do-I-start/ (available in English)


\(^64\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Start-up-and-registration/Registration-of-the-enterprise/What-is-a-certificate-of-registration/ (available in English)

\(^65\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Start-up-and-registration/Registration-of-the-enterprise/Power-of-procuration/ (available in English)
It can comprise one or a few participants. Furthermore, named entities or persons are also entitled to be given such rights. Usually, it is the board that represents the firm in the relations with the external parties. Nonetheless, the general manager or chosen employee(s) may be authorized to act on behalf of the firm (always by the board). It should be emphasized that in the articles of association other solutions can be specified or applied (mainly, it is not the board that represents the enterprise). A slightly different situation occurs in the case of partnerships. There, every partner holds signature rights (unless otherwise decided). Similarly to the powers of procuration the signature rights might be withdrawn at any time. Laws and Regulations regarding the above-discussed issue are available here (solely in Norwegian): [35].

The last essential matter in this section is concerned with the organization’s number. Sometimes an organization will be given a few numbers. That is the case when a company has sub-entities. Then, upon the registration, it will be given two or more organization numbers. One will be designated to the company itself and the other will be connected with each sub-entity which the enterprise possesses. Usually merely one sub-entity is registered in a firm. As a result there is only the organizational number of the enterprise that is known. In two situations, namely when a company does business while having a few addresses or when it operates in various industries at the same location, it will have to register one sub-entity, respectively for each address and for each industry.

8.3.2. When and how shall I register with the VAT Register?

The issue of value added tax (VAT) is of the essence for every organization operating in Norway (also in every European country). The main focus of this subsection will be the registration process in the VAT Register. Remember, if you have any doubts connected with this tax, you should contact the Norwegian tax office (Skatteetaten).

In general, this tax is classified as an indirect sales tax that is imposed on the final consumption of goods as well as services. In accordance with the principles VAT ought to be calculated on all goods and services that are being sold domestically (certain goods and services are, however, exempted from this tax). An enterprise needs to register with the VAT Register when the entire value of the defined in the Norwegian VAT Act (Lov om merverdiavgift) sales and withdrawals is higher than 50,000 NOK during a twelve-month period.

As a result, when one exceeds the above-mentioned limit for the first time, VAT has to be added to the total amount that is to be invoiced. In case of non-profit organizations as well as charities the limit is set on 140,000 NOK. One might register in the VAT Register electronically (through altinn.no) or in a conventional way. It should be emphasized that merely those sales that are defined as VAT taxable count during the process of evaluating the amount that indicates whether the discussed limit was exceeded or not. The issue

66 Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Start-up-and-registration/Registration-of-the-enterprise/Signature-rights/ (available in English)

of goods and services that are exempt from VAT is essential for a lot of companies.

The exemption from this tax result in the situation where, for example, books or newspapers are sold to the final consumer, are subject to a “zero” tax rate. Such transactions are, however, regulated by the Norwegian VAT Act and authorize the seller to deduct input VAT. The situation is similar when it comes to services. Education, culture, health, childcare services are exempted from VAT. The reader needs to bear in mind that in the law regarding this tax there are frequently exceptions from the rules as well as very complicated and unclear cases.

In addition, if your firm sells solely goods and services that are VAT exempted (in accordance with the Norwegian VAT Act), it does not have to register with the VAT Register. Finally, purchase of services that are provided by companies located abroad (e.g. consultancy, software) require from the buyers to pay VAT (merely in the case when the above-mentioned services are VAT taxable in Norway)68.

For further readings, Laws and Regulations check the following link: [36] Registration in the VAT Register is crucial for your enterprise. You cannot add VAT on the invoice where the limit of 50,000 NOK during a twelve-months period was exceeded until you are registered with the VAT Register. This process might take some time. There are three solutions for you to this problem that occur in the transitional period i.e. when your sales are liable to value added tax and you are not allowed to adjust your invoice by including VAT, because the registration process has not been finished yet.

First of all, you can issue the invoice without adding VAT, with the stipulation that it will be invoiced subsequently – as soon as your firm will be registered with the above mentioned register. When it happens you need to issue a separate invoice that includes VAT. Second, you can handle this problem in a following way: similarly to the previous solution, you may issue an invoice that does not contain VAT, with the stipulation that it will be invoiced later on. This time, however, when your company is finally registered, you need to issue two things simultaneously, namely a credit note plus a new invoice where the amount of VAT is specified.

The last available solution for you in this case is to make a correction in a following invoice, where the corrected element is explicitly stated. Nonetheless, there are also some cases when is possible to register with the VAT Register before the previously mentioned limit is exceeded. You need to bear in mind that it is the Norwegian tax office (Skatteetaten) that decides whether you fulfilled the registration conditions. Two final remarks regarding the registration: first of all, it is free of charge, and second, it is essential, because without it VAT cannot be included on the invoices69.

In the case of VAT there are also two other important issues i.e. the VAT return and retrospective VAT settlement. The former needs to be submitted every two months, unless your sales did not exceed 1 million NOK during the calendar year period (in that situation you can submit it once a year). In addition, certain exceptions regarding the VAT return apply to definite industries such as forestry or fishing. Furthermore, it is important to submit the VAT return even if you have not


conducted any business operations or sold anything in the course of previous period (in this situation you just report “zero” everywhere). In case you do not do it and you will not inform the authorities about your current activity, they might determine the amount of VAT on input and output by discretionary assessment. The issue of retrospective VAT settlement is also of the essence. It applies to the period that preceded the registration with the VAT register. Your firm can apply for such a settlement so as to have the input VAT reimbursed. The maximum period for the retrospective VAT settlement is 3 years. For further information regarding the discussed issues, Laws and Regulations, etc. please visit the following link: [37].

It ought to be mentioned that some enterprises can register voluntarily with the VAT Register as well. The reason behind such a step is to deduct input VAT on such costs as heating, maintenance, etc. Among the companies that are entitled to register voluntarily, one may find those organizations which lease out agricultural property, develop water as well as sewage/drainage systems, rent various facilities and buildings to firms liable to VAT plus forest road association. For more information regarding the following issue check here: [38].

8.3.3. How and when shall I register employees?

Various regulations and laws, to a considerable extent, regulate the employer-employee relationship. When it comes to the process of registering of employees a few issues need to be kept in mind. First, there is a duty concerning the notification of the NAV’s AA Register (known also as the employer/employee register). In Norwegian, its name is NAV Aa-registeret (Arbeidsgiver- og arbeidstakerregisteret).

All employment relationships that last minimum seven days as well as at least 4 hours of work during a week have to be notified in the above-mentioned register (there are three possible ways of doing this). It might be also done during the registration in Brønnøysundregistrene or in the VAT Register (check above) if you know that you are going to employ someone (who will be paid) by the time you register.

It is vital to send notification to NAV’s AA Register each time you established or terminated an employment relationship as well as when there were made certain, permanent changes regarding such issues as job title or working hours (you can do that once the contact between you and NAV’s AA Register has been established). Such a notification needs to be submitted on Friday that follows the week during which the change was made. You need to be aware that NAV conducts an annual check of such relationships (together with Brønnøysundregistrene) so as to ensure the quality of information that was registered. In order to find more information, laws and Regulations please check the following link: [39].

An interesting issue concerning the process of registration of employees is associated with the employment of your husband or wife in your enterprise. This situation mainly occurs in two forms of incorporation i.e. above all in sole proprietorship and in the limited company. In the former, a spouse of an owner is not perceived as an employee (thus he or she is not registered as a worker). As a result, a husband’s
or wife’s income is treated as his or her own business income. It therefore has certain consequences from the tax and National Insurance contribution perspective. It is worth mentioning that children of the owner are always perceived as employees in the firm. In the later type of business entity, a spouse is always perceived as an employee\(^2\). If you are going to establish an enterprise in the building and construction industry you need to bear in mind that in Norway all companies that build and construct are required to issue ID cards for their employees\(^3\). For further information, laws, and regulations regarding this matter, please check here: [40].

The last important matter associated with the issue of the registration of employees is The Labor Inspection Authority and its own register (Arbeidstilsynet in Norwegian). This institution gets all information from the Central Coordinating Register for Legal Entities (Enhetsregisteret-Brønnøysundregistrene) and control whether companies comply with the regulations and requirements of the Norwegian Working Environment Act (Arbeidsmiljøloven in Norwegian). Usually organizations do not have to register with this institution, however there are some exceptions\(^4\) (to read about them as well as about the laws and regulations connected with this issue, check the following link: [41]).

**8.3.4. Shall I have an accountant and an auditor?**

All enterprises in Norway need to carry out bookkeeping as well as register and document their income plus expenses (also for tax purposes). Some, however, have the obligation to prepare annual accounts. You are allowed to prepare these financial reports by yourself (as long as the results are correct) or use external help (in such a case you have to notify the Central Coordinating Register for Legal Entities (Enhetsregisteret-Brønnøysundregistrene about the personal details of your accountant at all times). The accountant is also required to confirm that such an assignment has been accepted\(^5\).

The issue of having an auditor is more complicated. In accordance with the Norwegian Accounting Act (Regnskapsloven) all companies that have an accounting obligation possess an audit obligation as well (with the exception of those enterprises whose total operating revenues are lower than 5 million NOK- see §2-1 of the Norwegian Auditors Act-Revisorloven). The discussed exemption from the audit obligation cannot be applied to, among others, limited and public limited companies, foundations or general partnerships with more than 5 partners. Some professions that have their own rules are also required to have auditors.

Last but not least, some limited companies may waive audit of their annual accounts if they fulfill the following conditions: their operating revenues are lower than 5 million NOK, the balance sheet is lower than 20 million NOK and the average number of employees is not higher than 10 full-time equivalent years\(^6\). For more information check the following link: [42].

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8.3.5. Business documents: what are they?

Another important issue in the second phase of establishing an enterprise in Norway is knowledge about what a business document is. It is a document that represents an enterprise in contact with external parties. The examples of it might be letters, bills, credit notes or order sheets (both on paper and electronic). Such objects as advertising material, envelopes or business cards are not reckoned to be business documents. Last, but not the least, those business documents that are associated with sales of goods and services comprise sales documents.77

On such documents one needs to place the name of an enterprise and its organization number (the requirement for all organizations that are registered with the Central Coordinating Register for Legal Entities: Enhetsregisteret-Brønnøysundregistrene in Norwegian). If your enterprise is registered with the VAT Register you need to add the letters MVA (the Norwegian abbreviation of value added tax) after the organization number (it indicates that your company has the right as well as obligation to include VAT in the price of a good or service that you sell). In the case of limited and public limited companies the word “Foretaksregisteret” (the Register of Business Enterprises) has to be included as well. Additionally, such issues as the type of business entity, headquarters address or the fact that the firm is being wound up must also be shown. Thus one may say that the purpose of the business documents is to provide security as well as ensure credibility in the business relations and in relation to the public authorities.78 For further information regarding the business documents check here: [43] and here: [44].

8.3.6. How can I protect my rights, innovations, and inventions?

In Norway the issue of rights protection is essential. There are certain institutions that are responsible for different fields depending of the object, area, etc. that needs to be protected. To find out more information about each of the protection form, check the following links: Patents: [45] Trademarks: [46] Design protection: [47] Employee inventions: [48] CE marking and standardization: [49] Environmental labeling: [50]

8.3.7. The issue of insurance and pensions in Norway

In Norway one may insure a company against a lot of risks. The cost of insurance is, in many cases, incomparably lower than the losses or damages that may occur. In general, the majority of the types of insurance are voluntary. There are, however, some which are obligatory. The example of this is occupational injury insurance, which will be discussed in one of the subsequent paragraphs. The possession of appropriate insurance is of the essence, especially at the beginning of your business activity. It is beneficial to contact various insurance companies and compare their terms and conditions, quotes, etc. regarding employee insurance, liability insurance and...
general insurance. These types are probably the most relevant for every enterprise.\(^{79}\)

The complete list of Norwegian insurance companies is available here (available only in Norwegian): [51]. Occupational injury insurance is one of the most important issues for all employers in Norway. They are required to subscribe to occupational injury insurance for their workers. It has to provide full coverage, irrespective of if the injury is or is not anybody’s fault. In addition, it must be taken out with a private insurance company or companies. Such insurance needs to cover (in accordance with the Act relating to Industrial Injury Insurance- Lov om yrkesskadeforsikring) the following cases: injury and illness that results from accidents at work, their equivalents according to the National Insurance Act (Folketrygdloven) as well as other injuries and illness that are the consequence of exposure to e.g. harmful substances. In case of self-employed and freelancers we recommend taking out this kind of insurance voluntarily.\(^{80}\) For further details and access to the laws and regulations associated with this insurance check here: [52].

An equally important issue for every employer is pensions. For the majority of them, having an occupational pension scheme for their workers is obligatory. There are specific regulations that describe when such a duty arises (check them here: [53]). Moreover, there are two positions that need to be included in Mandatory Occupational Pensions (Obligatorisk tjenestepension-OTP) schemes i.e. old-age pensions as well as the payment of contributions and/or premiums in case of disablement. Any other benefits might be included there as well, however this can be done voluntarily. In addition, there are two kinds of pension schemes: a defined-benefit scheme and a defined-contribution scheme. Their features differ with respect to the amount of the pension benefit and the employer’s expenses related to this issue. The choice of occupational pension scheme significantly affects the future pensions of the employees. Finally, it is worth mentioning that those who are not obliged to establish a pension scheme are encouraged to do so.\(^{81}\)

In case of self-employed people the lack of the establishment of a pension scheme may result in a considerable decrease of the income when he or she retires (in such a situation he or she will solely be entitled to the pension that is provided in accordance with the National Insurance Act-Folketrygdloven). Therefore, additional saving is critical for every entrepreneur in Norway.\(^{82}\)

### 8.4. Third phase: The beginning of business activity

Now you are fully prepared to begin your business activity in Norway. So far you have gotten to know how and where to register your company, how to register with the VAT Register, what the forms of incorporation in Norway are, etc. In the third phase the most


important issues for you will be taxes and various legal matters (e.g. associated with the working condition requirements). In the following paragraphs you will be given the most salient information regarding the direct and indirect taxes in the Kingdom of Norway.

8.4.1. Taxes in Norway

The issue of taxes is probably the most significant for the businessmen in every country in the world. In Norway tax frauds are not socially and legally acceptable. Everyone needs to pay them, instead of avoiding them at any cost. The Norwegian tax system is logical and quite simple. In return for relatively high tax rates you receive a generous welfare system, safety, and a friendly investment environment. In the following tables a comparison of tax rates in Norway and Ukraine is depicted.

In accordance with the World Bank data, a comparison of the various features of the taxation systems in these two countries was prepared. Such issues as total tax rate or the complexity of the tax systems (expressed through the time required to prepare, file and pay taxes) are presented. As one may see, despite the higher taxes in Norway, the total tax rate is in fact lower in Norway than in Ukraine (40.7% to 54.9%). Moreover, it takes almost five times less time to prepare, file and pay taxes in Norway than in Ukraine (83 to 390). Table 6 shows the discussed results.

It should be kept in mind that certain enterprises do not have an accounting obligation and do not have to prepare their annual accounts. This means that if you are proficient enough in accounting you can prepare the financial and tax reports to the authorities by yourself. Nevertheless, due to the differences in taxation and accounting systems in various countries, it is highly recommended to hire support personnel, for instance a professional accountant. If you do that, you will be sure that reporting as well as payments will be made correctly.

In Norway there are different types of taxes that can be grouped into two categories i.e. direct taxes and indirect taxes. The former includes the income taxes paid both to the state and to the municipality, wealth tax and property tax. Natural persons as well as legal entities are supposed to pay these taxes if they obtain any income or profit. It should be kept in mind that sole proprietorships and partners (in general partnerships and in similar forms of incorporation) are considered to be personal taxpayers, however among non-personal taxpayers one may find e.g. limited companies. The latter type of taxes, in turn, comprises mainly VAT as well as various types of charges and taxes that are special in their nature and are levied on such goods as tobacco, oil or alcohol (excise).83

For a deeper understanding of the features of various taxes, one needs to be familiar with two significant concepts typical of the Norwegian tax system, which are general income (alminnelig inntekt in Norwegian) and personal income (personinntekt in Norwegian). The former is calculated both for the natural persons and legal entities that are taxable. All types of income that is subject to tax, as well as all deductible expenses (they decrease the amount of the tax), are included within this concept. The tax rate for general income is equal to a flat 27% rate.

Table 6. The comparison of tax rates in Norway and Ukraine

<table>
<thead>
<tr>
<th>Country/ type of a tax</th>
<th>Direct taxes</th>
<th>Indirect taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>VAT</td>
</tr>
<tr>
<td></td>
<td>Corporat e tax (on ordinary income)</td>
<td>Personal income tax</td>
</tr>
<tr>
<td></td>
<td>Ordinary income tax (on ordinary income)</td>
<td>Surtax</td>
</tr>
<tr>
<td>Norway</td>
<td>flat 27%</td>
<td>9% &amp; 12%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>flat 18%</td>
<td>15-17%</td>
</tr>
</tbody>
</table>

Source: The Norwegian Government, Skatteetaten, Alpina Consult, Deloitte

Table 7. Comparison of the features of the tax systems in Norway and Ukraine

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of payments</th>
<th>Time to prepare, file and pay taxes</th>
<th>Profit tax</th>
<th>Labor tax and contributions</th>
<th>Other taxes</th>
<th>Total tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>hours</td>
<td>% of commercial profits</td>
<td>% of commercial profits</td>
<td>% of commercial profits</td>
<td>% of commercial profits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td>2013</td>
<td>2013</td>
<td>2013</td>
<td>2013</td>
</tr>
<tr>
<td>Norway</td>
<td>4</td>
<td>83</td>
<td>24.8</td>
<td>15.9</td>
<td>0</td>
<td>40.7</td>
</tr>
<tr>
<td>Ukraine</td>
<td>28</td>
<td>390</td>
<td>11.2</td>
<td>43.1</td>
<td>0.7</td>
<td>54.9</td>
</tr>
</tbody>
</table>


Furthermore, it constitutes the foundation for the equalization tax to the state, municipal as well as county taxes. The latter notion consists of the income from work that a person does and other payments that replace it e.g. unemployment benefits or pension benefits. There are special rules regarding the calculation of this income for sole proprietorships. What is more, it constitutes the basis for the assessment of National Insurance contributions as well as surtax.  

The former uses three rates: 8.2% on personal income obtained from a job, sickness benefits, etc., 11.4% on personal income obtained from business activities (also within agriculture, forestry, etc.) and 5.1% on personal income from work done by persons who are younger than 17 years as well as older than 69\(^8\). The latter tax has also three rates 0% (income from 0 NOK), 9% for the income that exceeds 527,400 NOK and 12% for the income higher than 857,300 NOK\(^8\).

In the following paragraphs the brief features of the enterprise’s tax (foretaketsskatt in Norwegian) as well as VAT and its reporting (MVA in Norwegian) will be discussed. The issues associated with the first of the mentioned taxes will be considered from the perspective of each form of incorporation.

8.4.2. The enterprise tax

In the sole proprietorships the firm and the owner are perceived as the same taxable person. In other words, you are liable for the tax payments of your firm. You are obliged to pay advance taxes for each period when the income occurs. As soon as this duty arises, you will receive payment forms four times a year. The amount of the tax that you will have to pay will be settled by the Norwegian tax office (Skatteetaten) on the basis of the profit made in the previous year. In your case, being a newly established sole proprietorship, you need to contact the above-mentioned institution and declare what the amount of the profit or loss is that you expect to make in the first year. As soon as you do that, you will be given the discussed payment forms. Three final remarks: if you conduct your business (as a sole proprietorship) and your spouse works in it, he or she cannot get any payments or salary. For the tax purposes the profit (or loss) that has been made will be divided between the two of you (in addition you have to specify what your spouse has been responsible for in your enterprise). Furthermore, bear in mind that any money transferred to you (or your spouse) as a salary for the work is not considered as the enterprise’s expense. Finally, the amount of your profit (or loss) will constitute the basis of the calculation of your personal income, which will be the subject to the assessment regarding surtax and National Insurance contributions\(^8\).

In case of general partnerships, the situation is similar. You and your partners are the same taxable persons as your partnership. The regulations concerning the payment forms and tax payments are similar as in the previous form of incorporation. The tax rate is a flat 27%. Here, however, any payments for you or for your partners’ work will decrease the amount of calculated profit. The amount of obtained salary will be subject to the personal income tax (such remuneration is considered as business income). Apart from the payments to owners, and the profit, distributions from the partnership are also taxable (an additional 27% tax on personal partners). This tax will be calculated for profit that exceeds the amount of a deductible risk-free return as well as the owners’ tax on the shared profit. Whenever there is a free of charge transfer of assets from the organization to the partners then it is perceived as a taxable distribution\(^8\).

\(^8\) The Norwegian Tax Office: [www.skatteetaten.no/no/Tabeller-og-satser/Trygdeavgift/](http://www.skatteetaten.no/no/Tabeller-og-satser/Trygdeavgift/) (available only in Norwegian)

\(^8\) The Norwegian Tax Office: [http://www.skatteetaten.no/no/Tabeller-og-satser/Toppskatt/](http://www.skatteetaten.no/no/Tabeller-og-satser/Toppskatt/) (available only in Norwegian)


The taxes in general partnerships are calculated step by step. At first you need to evaluate the amount of the deductible risk-free return. It is estimated as follows: the annually determined deductible interest rate (stipulated by the Norwegian Ministry of Finance) multiplied by the basis for deduction (i.e. partnership contribution of a partner at the beginning of the year or the assessed price e.g. cost price of the holding of a partner-owner in the general partnership). The assessment of the amount of ordinary income is a subject to the personal tax (in the form of the tax for the remuneration received for work). The taxable profit, in turn, is calculated in the following way: profit before the deduction of the paid special work remuneration minus the amount of personal partners’ work remuneration.

The obtained number is subsequently divided among the partners in accordance to their share of the liability. Finally, the taxable amount of distributions is counted as follows: distribution from the partnership minus above calculated tax on the divided profit, minus the deductible risk-free return. You have to keep in mind that the effective rate tax for such contributions is as much as 46.7% (it is the sum of the tax on the paid remuneration to the partners plus the new taxation). When one calculates the assessed tax, any difference between the estimated tax and the tax paid in advance that results in underpaid tax must be covered. For that purpose, a new payment form will be provided. Furthermore, if a business activity is conducted by non-taxpayers or if they own properties in at least two municipalities, such subjects are required to submit one tax return to any of the tax offices.

In case of limited companies as well as non-personal taxpayers, the situation is completely different to the one described in the previous paragraphs. Here, these two subjects are considered as separate taxable persons. In consequence each of them pays tax during the year that follows the one when the income was obtained. The tax rate for companies is a flat 27% rate. The general income that constitutes the basis of the taxation is calculated in a following manner: total income minus all business activity related expenses (together with tax depreciation). If you establish a limited company you will receive tax payment forms two times in the course of the first six months after the year when you had income. The amount of every tax installment that is required to pay is equal to ½ of the evaluated tax in the previous tax assessment.

This sum is adjusted i.e. increased or reduced by a percentage rate determined by the Norwegian Ministry of Finance. When one calculates the assessed tax, any difference between the estimated tax and the tax paid in advance that results in underpaid tax must be covered. For that purpose, a new payment form will be provided. Furthermore, if a business activity is conducted by non-taxpayers or if they own properties in at least two municipalities, such subjects are required to submit one tax return to any of the tax offices.

The taxation of dividend from limited companies is assessed in accordance with either the shareholder model (for personal shareholders) or with the exemption method (for corporate shareholders)90.

Last but not least, the following links will provide you with some basic information concerning the process of shareholders’ registration: [54] and the issue of the exemption method (which rules applies to the above mentioned limited, public limited

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90 Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Direct-and-indirect-taxes/The-enterprises-tax/Tax-for-limited-companies/non-personal-taxpayers/ (available in English)
companies, partnerships as well as to cooperative societies, foundations, associations as well as the foreign enterprises liable to tax in the Kingdom of Norway): [55].

Another important issue for every businessman is the usage of vehicles for work purposes. If you establish a sole proprietorship or a general partnership and you want to use your car for your business activities, you might be entitled to deduct the costs of keeping up your vehicles. Depending on the way in which they are used, their type as well as the driven distance one may distinguish two deduction models. For more details regarding the calculation of the costs associated with the usage of vehicles in Norway check the following link: [56].

It is also important to know when various statements need to be submitted. You have to remember that whenever you submit your tax return while doing business in Norway, it must be delivered together with the income statement (profit and loss statement). For various groups there are various requirements concerning the complexity that is included in the income statement (those prepared by bigger enterprises are more detailed). The main purpose of this document is to show the amount of profit or loss that is supposed to be entered in the tax return. It is worth mentioning that some sole proprietors do not have to prepare such a statement if they meet certain requirement i.e. sales during the year are lower than 50,000 NOK. Moreover, if you established your enterprise in the course of the income year as well as received a pre-completed tax return you are allowed to submit it together with an income statement and all other mandatory enclosures.

In addition, you can be asked to submit other forms (not solely the income statement) to your tax return in certain situations. In the Altinn’s Catalogue of Firms (skjemakatalogen in Norwegian) an overview of required attachment forms can be found. Please note that you can deliver all documents (including tax returns) electronically through Altinn.no. Finally, employees, pensioners and self-employed will get their tax returns by post. They can be accepted without any changes or corrected. In the first case you will not be required to submit it, in the latter case you will have to do that. The deadline for submission of the income statements for companies, partnerships and self-employed persons is 31st May (they can be submitted through Altinn.no) and the tax returns is 30th April (on paper). The deadline for employees and pensioners is also 30th April. In order to read more about this issue (especially with respect to partnerships) and browse the forms check the following link: [57].

We will now briefly consider the issue of taxation of capital and income for foreign companies that are subject to taxes, as well as their foreign workers, in relation to the job or assignments in Norway and on the continental shelf that belongs to Norway – their amount is assessed by The Central Office (Foreign Tax Affairs). The same measures are applied to the income and capital of among others foreign artists or foreign seafarers who work on those ships that are registered in Norway.

“At the beginning when I started to make a company - before you earn one million per year - you can prepare all the accounting only once a year. When turnover of the company was more than a million, I had to do it every second month - we pay value added tax every second month so I have to make reports every second month. But it’s also better because then I remember still what I have done and what I have paid”.

Natalia Ravn-Christensen, owner of Energy Au Pair


8.4.3. How shall I report VAT?

The issue of value added tax has already been mentioned several times in this guide. To summarize, all the relevant information regarding this tax is described in the Norwegian VAT Act (Lov om merverdiavgift in Norwegian). There, one may find e.g. the list of exemption (e.g. education or health services). Remember, solely goods and services sold in Norway are taxable. The main feature of this tax is that it is calculated on every link in the sales chain. In other words, VAT is paid by every subject in the production and sales chain on the value/sale minus the amount that they paid on the purchased goods – this is defined as input VAT. Hence, as the name indicates, every subject in the chain pays on the value that was added by such a link. As it has already been shown in the table above, there are three VAT rates in Norway: 25% (the standard rate), 15% (food and beverages) and 8% (movie tickets, passenger transport, and certain forms of accommodation (e.g. hotels or renting cabins)). The discussed tax is calculated also on the customs value of the goods that were imported (apart from the calculation on the selling price for sales in Norway).

The concepts of output and input VAT (utgående og inngående avgift in Norwegian) are of the essence for every businessperson. The former is charged (and calculated) on the sales on goods and services that you make, both to ordinary customers and to other enterprises. In order to be able to do that, you need to be registered with the VAT Register and VAT needs to be specified in a sales document (it must include the seller’s organization number as well as the letters MVA- the Norwegian abbreviation for VAT). It also has to be kept in mind that whenever you withdraw goods or services for any private use and you are registered as VAT payer, you are required to calculate VAT for such a transaction. Moreover, even if the withdrawn goods are not liable to VAT (in accordance with the VAT act), the tax still needs to be calculated. The only exception is when the discussed goods are capital goods that can be classified as the adjustment provisions for input value added tax. Input VAT is the tax that is added to the liable to VAT goods and services that were purchased. Please note that you can deduct the amount of the input VAT merely if you are registered with the VAT Register.

Depending on the type of your business you will have to submit either annual VAT returns or VAT six times a year. The former are prepared by small businesses and primary industries, the latter by vast majority of companies, practically by all industries. You are required to submit them through Altinn.no. You have to submit the return and pay the owed VAT in the course of one month and 10 days of the end of every reporting period. When it comes to the third reporting period, the deadline was set on 31st August. Remember to submit the return even if you did not sell anything during the period in question. If the amount of your sales did not exceed 1 million NOK during the calendar year, you are entitled to apply to the Norwegian tax office to get the permission to submit the VAT return annually. The deadline for that is 1st February. If you get such permission you will have to submit and pay the tax until 10th March. One of the most important issues is to distinguish among various types of sales, namely those that are exempt from value added tax, in accordance

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with the VAT act and those that are defined as zero-rated tax-free sales. In the first case you will not be able to deduct the input VAT, in the second case the purchases are input VAT deductible. An example of the latter is export. The interest rate for overdue VAT payments in 2013 was equal to 8.5%\(^95\). For more information concerning the submission of VAT return for agricultural industries and for remote services provided from foreign countries check the following link: \([58]\).

Furthermore, whenever you buy imported goods of the value exceeding 200 NOK you will be required to pay VAT on importation (it also applies to mail order purchases from outside of Norway). With respect to gifts, the limit is set on 1,000 NOK.\(^96\) For more detailed information regarding the VAT for purchases of services from abroad check the following link: \([59]\).

**8.4.4. Company cars and their taxation**

For information concerning the way in which company cars are subject to taxation visit the following link: \([60]\).

**8.4.5. The issues of accounting and auditing**

The preparation of financial reports in accordance with the Norwegian requirements can be challenging for foreigners, mainly due to certain differences in terms of legal regulations. If you have a bookkeeping obligation- bokføringsplikt in Norwegian (it arises when you submit VAT returns and/or income statements), you need to conduct day-to-day bookkeeping, specification, documentation as well as storage of information of the accounting nature. Furthermore, whenever you draw up the accounts you have to follow the regulations included in the Bookkeeping Act.

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\(^{95}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Direct-and-indirect-taxes/VAT-reporting/VAT-settlement/ (available in English)

(Bokføringsloven in Norwegian) and the Bookkeeping Regulations (Bokføringsforskriften in Norwegian). It must be borne in mind that if you possess the accounting obligation you automatically have a bookkeeping obligation as well. For explanation of various concepts associated with accounting (e.g. what is bookkeeping, accrual accounting, etc.) visit the following link: [61].

Nevertheless, if you have a bookkeeping obligation it does not mean that you have also an accounting obligation. You might have just the former or both (as it has been written in the paragraph above). If you possess these two obligations, you need to prepare annual accounts that consist of at least a balance sheet and notes, income statement plus an annual report. Moreover, it must be publically available. If your business can be described as a small enterprise, in accordance with the Norwegian law, you will be entitled to apply for simplified accounting rules, which e.g. allow you to avoid preparing a cash flow statement. In addition, even if you do not have the accounting obligation you are supposed to fulfill the documentation as well as bookkeeping requirements, because they constitute the basis for the reports that are sent to the public authorities. Finally, even if you do not conduct any business, but your firm is not formally closed you still have the accounting obligation. To check who has the discussed obligation, visit the following link: [62].

With respect to the annual accounts (they comprise balance sheet and notes, income statement, and if relevant- cash flow statement), the need to be prepared according to the Accounting Act and signed by all the members of the board (plus by a general manager if a firm has one) or by partners if a firm does not have the two above- mentioned bodies. Furthermore, they (together with the annual report) have to be adopted (e.g. by the general meeting) in the course of six months after the end of the accounting year and subsequently submitted no later than one month after adoption to the Register of Company Accounts (Regnskapsregisteret in Norwegian). The description of what an annual report should possess you can find here: [63].

“*If I could not have part of the job done abroad my business will not be able to survive. The private people will not pay me so much to find au pairs and nannies for them as much this service would cost in Norway if all interviews with all au pairs will be done from Norway*.”

Natalia Ravn-Christensen, owner of Energy Au Pair

During your activity you will most probably experience certain unpleasant situations when your customer will not pay you the amount stated in an invoice on time. In such cases you are entitled to send him or her a reminder or a debt collection notice (respectively purring and inkassovarsel in Norwegian). It is essential for every entrepreneur to possess definite outstanding claims recovery procedures (you need to earn “real” money, not solely the money on the invoices). To do so, you must be familiar with rights that your clients have when it comes to payment reminders. Bear in mind, that you are not allowed to add VAT to the reminder fees. The detailed information regarding this issue (including the Laws and Regulations) was discussed here: [64].

8.4.6. Employment conditions: relations between employers and employees in Norway

If you conduct your business and want to employ a worker you need to be aware that in Norway you will have to obey the rules and regulations that involve certain obligations


100 Altinn: [https://www.altinn.no/no/Starte-og-drive-bedrift/Drive/Regnskap-og-revisjon/Arsregnskapet/](https://www.altinn.no/no/Starte-og-drive-bedrift/Drive/Regnskap-og-revisjon/Arsregnskapet/) (available only in Norwegian)

towards mainly two institutions i.e. NAV (Norwegian Labor and Welfare Administration) as well as the Norwegian Labor Inspection Authority (Arbeidstilsynet in Norwegian). Moreover, even if you are the only employee in your enterprise, you will have certain duties towards yourself as well (no matter how strange it sounds)\textsuperscript{102}.

8.4.7. What are my obligations when I want to employ a worker?

As an employer you will be obliged to take out the occupational injury insurance for all workers and in many cases pension scheme. Furthermore, you will have to fulfill certain requirements concerning tax deduction, notifications to the discussed employer/employee register, keep statistics regarding sickness absence, etc. In addition, you will need to remember that every worker (a person who works for you firm and is paid for that work, unless he or she is a self-employed person or freelancer) needs to possess a written employment contract regardless of how many hours he or she works, whether this person is a temporary or full time worker. The template of a standard contract is provided by the Norwegian Labor Inspection Authority (Arbeidstilsynet)\textsuperscript{103}.

Remember that every change in the relationship between the employer and employee (i.e. when an employee quits, takes either unpaid or paid leave that exceeds 14 days, if he or she is laid off for a period that exceeds 14 days, or this person’s working hours are reduced to less than 4 hours a week for more than 14 days) must be reported to the NAV’s AA Register. This rule applies to those relationships that last more than 7 days, more than 4 hours of the work per week in average. The deadline for doing so is Friday of the week that follows the one when such a relationship arose, changed or ended. If the relationship was changed you are obliged to submit a notification where the following positions: job title (occupation code), the amount of working hours of an employee and workplace (department) are specified\textsuperscript{104}. For more information regarding the registration process check the following link: [65].

Moreover, in Norway you have freedom of employment. It means that you can employ whomever you think is the best for this kind of work, whoever you like, want to. Nevertheless, you cannot:

1. Discriminate people on the basis of gender, religion, nationality, skin color, sexual orientation and physical condition (irrelevant for the job-related tasks);
2. You are not allowed to obtain information regarding the above-mentioned issues, with the defined exceptions (e.g. a company that promotes certain religious beliefs);
3. You are not allowed to employ children under 13 years of age (those between 13 and 18 can merely do light work)\textsuperscript{105}.

In general, in Norway permanent employment is encouraged. Nevertheless, there is also a possibility to take on temporary workers. In such a case certain requirements must be fulfilled (e.g. employment that is associated with the practical and/or vocational training,

\textsuperscript{102} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/ (available in English)

\textsuperscript{103} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Employment/What-obligations-does-it-entail-to-have-employees/ (available in English)


\textsuperscript{105} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Employment/Can-you-employ-who-you-like/ (available in English)
when a temporary worker does the work that is different than the one normally performed in the firm or as a stand-in in the period of holidays, when someone is on a leave of absence, etc.). If a person works in a company for a period longer than 4 years he or she is perceived as a de facto permanent employee[106]. For more information regarding temporary workers check the following link: [66].

In accordance with the Working Environment Act (Arbeidsmiljøloven) normal working hours (i.e. the time when the worker is at the disposal of the employer) in Norway cannot exceed 40 hours per week, and no more than 9 hours per day. Nevertheless, there are certain rules that apply to definite situations where working hours per week might be reduced (it concerns the shift work of a continuous nature—respectively 38 hours in 7 days in the case of such work on weekdays and 36 hours throughout the week). In addition, for a number of employees who are covered by the collective agreements (discussed below) the normal weekly working hours are set equal to 37.5. You, as an employer need to state the number of working hours that an employee is obliged to work per week as well as keep the records of the number of worked hours[107]. For further details regarding this issue please check here: [67].

A collective agreement is an important document in the Norwegian labor market. You need to be aware that the power of labor unions (basically LO- Landsorganisasjonen i Norge, the most influential labor union association in Norway) is relatively great in Norway in comparison with many countries in the world. This means that employees are well protected against any abuse in the work place and have a great many privileges, one of those being the right to collective agreement. Such an agreement is mainly concerned with salary and working conditions (it also is connected with other issues associated with work) and is negotiated between a trade union and either an employer or an association of employers. It has to be prepared in written form.

There are two types of agreements between these two parties: a basic agreement concerning more fundamental issues, or collective agreements connected with more specific problems and made for individual sectors. It is also possible to have special agreements which each enterprise if specific issues arise. The basic agreement is usually negotiated between the above-mentioned LO, the Norwegian Confederation of Trade Unions, from the employees’ side, and the Confederation of Norwegian Enterprise (NHO-Næringslivets Hovedorganisasjon in Norwegian), that is an employers’ organization that represents their perspective[108].

Whenever you want to employ a foreign worker in Norway you need to remember that he or she must possess a residence permit (oppholdstillatelse in Norwegian).

In case you have any doubts whether a person has one, you might send an email to the Norwegian Directorate of Immigration’s Employer Service (UDIs Arbeidsgiverservice in Norwegian) with the request to provide you the necessary information regarding this issue. Even the possession of a tax deduction card

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(skattekort in Norwegian) does not prove that such permission was granted.

Depending on the citizenship of an employee, different rules and regulations are used. Workers from Nordic and the EU/EEA countries do not need a residence permit (the latter solely need to register electronically). For the others, the above-mentioned requirement applies\(^\text{109}\).

Another issue associated with the employment is the process of hiring of labor. You, as an employer, are allowed to do that, however there are certain restrictions. First, you can hire labor from staffing agencies (only from those which are registered) for temporary appointments. Second, you may do that by using production enterprises that normally have a goal different than the one required to perform this activity (you might hire out labor from such organizations for a limited period). Finally, those employees who were hired need to be given the same working conditions as those who would be employed by you if they were to perform the work in question\(^\text{110}\).

In time, you must remember the importance of the National insurance scheme (folketrygden in Norwegian). It applies to everyone who has a legal residence and the right to work in Norway, regardless of if they have place of residence here or not (or work on the Norwegian continental shelf or in someone else service here).

Membership in this scheme is compulsory, and contributions and employer’s National Insurance contributions, have to be paid, both in cases when the employee is and is not liable to tax in the Kingdom of Norway. A worker who does not live in Norway becomes a member of the discussed scheme as soon as he or she starts working here. His or her membership will be void if this person will be sent to work abroad for a period exceeding 12 months\(^\text{111}\).

8.4.8. Various kinds of pay in Norway

An important issue for many enterprises is the expenses associated with business travel. In order to be classified as business travel expenses, they cannot be of a regular nature, and they need to be ordered or approved by the employer (as a form of assignment). The costs connected with business travel might be covered in a variety of ways, e.g. as an expense allowance, reimbursement, through direct coverage of the expenses by the employer or as a combination of all the mentioned approaches. In general, the agreements between the employer and employees, concerning the method in which a travel business will be covered, are common (both parties are free to agree on how and to what degree such expenses ought to be covered)\(^\text{112}\). For more information regarding this issue please visit the following link: [68].

Furthermore, the issue of payments in kind (naturalytelser in Norwegian) exists. Such payments constitute various non-monetary benefits given by the employer to a worker in the form of, for example, free use of car. The benefit must be either free or at a reduced price (e.g. a preferential loan where interest

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\(^{109}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Employment/Employing-foreign-workers/?epslanguage=en (available in English)

\(^{110}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Employment/Hiring-of-labour/ (available in English)

\(^{111}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Employment/About-membership-of-the-National-insurance-scheme/ (available in English)

\(^{112}\) Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Pay/Travel-expenses/ (available in English)
rates are low) in order to be perceived as payment in kind. You need to keep in mind that this kind of pay is liable to tax. Nevertheless, there are certain exceptions from that rule. As a rule, the discussed payments are valued at the sales value, however there are also alternative forms of their evaluation, e.g. valuation rates or employer’s rates\textsuperscript{113}. For more information concerning this matter check here: [69].

Another significant issue is holiday pay (feriepenger in Norwegian). Employees earn it in the course of the year preceding the taken vacations and it is paid while they are on the holiday absence. Every worker is entitled to holidays, however solely those who worked during the previous year may be given the holiday pay. It is worth mentioning that mere employees (not those who are self-employed or work as freelancers) have the right to such a benefit. The pay, as well as other remuneration connected with the performed work, constitutes the basis of the holiday pay which, in turn, is equal to 10.2% of the basis for holiday pay (12.5 for those who are older than 60). In case of those workers who are covered by the collective agreement, the rate is equal to respectively 12% and 14.3% (for persons over 60)\textsuperscript{114}. For more information regarding this matter please check here: [70].

You need to remember about the employer’s National Insurance contributions as well. It is paid in every case when you employ a worker in your enterprise (unless you are self-employed). Gross salary constitutes the basis for the calculations of this payment and the rate differs (it can be from 0 to 14.1%) depending on the municipality where the headquarters of a firm is located\textsuperscript{115}. More detailed information concerning this issue can be found here: [71].

What is more, whenever you employ a worker you are required to deduct tax from the salary that you pay to him or her. The tax deduction card (skattekortet in Norwegian) specifies the amount of tax to be deducted. It can be done in an electronic manner\textsuperscript{116}. For more information regarding this issue visit the following link: [72].

You also need to remember about transferring the amount of money that represents the two above-mentioned contributions i.e. the employer’s National Insurance contributions as well as tax withholdings no later than on 15\textsuperscript{th} January, March, May, July, September and November to the tax collector. It ought to be done (preferably) via Altinn.no\textsuperscript{117}. For more information please visit the following link: [73].

It is also salient to remember that outstanding VAT, fines, local government taxes, etc. may be covered by the usage of attachment of earnings (both those associated with the deductions that you, as an employer, will have to make from the salary of a worker and those connected with the remuneration of self-employed persons)\textsuperscript{118}. More information regarding this issue is available here: [74].

\textsuperscript{113} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Pay/Payments-in-kind/ (available in English)
\textsuperscript{114} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Pay/Holiday-pay/ (available in English)
\textsuperscript{115} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Pay/Employers-National-Insurance-contributions/ (available in English)
\textsuperscript{116} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Pay/Tax-withholdings/ (available in English)
\textsuperscript{118} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Pay/Attachment-of-earnings/ (available in English)
Finally, you have to remember that you, as an employer, will also be obliged to submit Certificates of Pay as well as Tax Deducted (lønns- og trekkoppgave in Norwegian) to the tax office (with the exception of certain situations). The exemptions are connected with the following cases: when the amount of remuneration that constitutes the basis for tax withholdings is lower than 1,000 NOK, when the expense allowances that are not subject to tax withholdings are lower than 1,000 NOK, or when the total remuneration associated with the work to the payer’s home (or a holiday home) is lower than 6,000 NOK. The above-mentioned documents need to be submitted no later than 31st January in the year that follows the year when the income was obtained. For more specific information please check this link: [75].

8.4.9. What are the regulations connected with the holidays and leave of absence in Norway?

Your employees will have, in accordance with the Norwegian law, the right to take a leave of absence unconditionally in such situations as pregnancy, childbirth or similar, in connection with breastfeeding or when a child minder or a child himself or herself is ill. The leave of absence applies also to the sad circumstances when close relatives are in the last stage of their life, or for holders of public office. The employee is required to notify the employer such a situation at the earliest convenience. The right to leave of absence is given also to those who want to continue their education up to 3 years, both in the part- and full-time form. Further information associated with leave of absence can be found here: [76]. To check who pays the salary in the above-mentioned situations please visit the following link: [77]. In certain cases it is NAV which pays the remuneration, in other it is the employer (either pursuant to law or on the basis of the agreements). By entering this link you can get to know the rules and regulations connected with a pregnancy benefit: [78].

Eventually, you need to remember that in Norway every employee is entitled to get holidays that take 4 weeks and one day per year (one week more for workers over 60 years old). It is also possible to have 5 weeks of holidays (mainly as a result of collective agreements). Two out of the four or five weeks of the vacations can be transferred to the next year.

The same number of weeks can be taken in advance if the parties agreed on such solution. Moreover, the details associated with holidays (i.e. time and schedules) ought to be discussed well in advance. You have to keep in mind that employees are entitled to take 3 weeks of continuous vacations during the period between 1st June and 30th September. For more information about the holidays and the Norwegian Holidays Act (Ferieloven in Norwegian) that regulates this matter check the following link: [79].

8.4.10 What are the regulations concerning illness absence in Norway?

The money that one receives as a result of illness absence (sykepenger in Norwegian) shall compensate the loss of work income for the persons that are capable to work, but temporarily cannot perform it due to illness or injury.
Both employees, self-employed, and freelance workers are entitled to the money from illness absences. The amount of the money and the periods of time when such a right exists are both dependent on whether you are an employee, self-employed or freelancer. In order to have the right to the money from the illness absence a number of requirements must be fulfilled. Firstly, an employee needs to be temporarily unable to work on the basis of his or her own illness or injury. Furthermore, he or she must have been working at least four weeks continuously before the situation that gives him or her the right to get the incurred benefit. Finally, the illness absence has to result in the loss of pension giving income.

The employee needs to document absences with self-certification (up to 3 days with the exception of inclusive workplace enterprises – to check the definition of such enterprises visit the following link: [80]), if he or she has worked for at least two months before, or through a medical certificate or doctor’s opinion (in more serious cases). In the case of self-employed and freelancers, only the latter possibility exists. In general, the employer is obliged to pay illness absence money during the first 16 calendar days. Subsequently, this responsibility is taken over by NAV. For further information regarding this issue check here: [81]. Moreover, the explanation of regulations regarding the way in which sick pay is calculated is available here: [82]. It is worth mentioning that in Norway there is also a possibility to take a partial sick leave that may involve performing the duties in the reduced time schedule per day or on spending more time on doing them.

If an employee became ill before or in the course of holidays he or she is entitled to deferred or new holidays. It is here assumed that the employee has been completely unable to work. Partial sick leave does not give the right to the above-mentioned privilege. This right applies from the first day of absence. The employee may require new holidays for as many days as the disability lasted. It needs to be documented with the medical certificate as quickly as possible after the work is resumed.

Self-employed and freelancers are entitled to illness benefits after the 17th day of illness. The period of 16 days is counted from the time when such a person contacted a doctor or NAV received the notice concerning the inability to work. It needs to be mentioned that self-employed receive solely 65% of their income, whereas freelancers as much as 100% from the same time. The former can, however, enter some alternative insurance schemes that give them full coverage of the income in case of occupational disability (it involves higher premiums: 2.8%- 100% from the 17th day and 9.3%- from 1st day of absence, in comparison with 1.8% normally). The freelancers have to pay a 2.3% premium of their expected annual income. To check the further details and the way in which this benefit is calculated, please visit the following link: [83].

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As an employer, you also need to remember about reporting, as soon as possible, all occupational injury and illness to NAV (within three days). If you fail to do so, a worker has the right to report it himself or herself\textsuperscript{128}. The duties of employers, employees and doctors are described here: [84].

Employers are also required to keep statistics concerning illness absence, as well as absences associated with children’s illness\textsuperscript{129}. To check what should be recorded, please visit the following webpage: [85].

8.4.11. The issue of Health, Environment and Safety (HES) in Norway

In Norway, one may find a great many rules and regulations associated with the issue of safety and the quality of produced goods and performed services. In addition, various requirements concerning premises, protective equipment used during the work performance, safeguarding the natural environment and so as to make sure that those who do the assigned job will be safe are described. The concept that involves all of what have been mentioned above is defined as “Health, Environment and Safety” (in abbreviation HES) known also as internal control.

In accordance with the appropriate regulations (The regulations that relate to Systematic Health, Environment and Safety Activities in Enterprises- Forskrift om systematisk helse-, miljø- og sikkerhetsarbeid i virksomheter in Norwegian) the owner or a person that is responsible for a firm is obliged to make sure that systematic follow-up of the above mentioned regulations is carried out (with the collaboration of the employees and their representatives). All procedures regarding HES ought to be included in a written document and ensure that any issues that arise are identified and dealt in an appropriate manner (and not at least on time). Together with these regulations, one may also find various guidelines and comments that facilitate their proper application\textsuperscript{130}. In order to read more about different matters associated with issue discussed in this paragraph, please check the following link: [86].

8.4.12. When can you lay off employees?

In Norway it is possible to temporarily lay off employees when the employer does not have the obligation to pay salaries (it is suspended). Nevertheless, during such a period, the employment relationship does not cease to exist. The time of layoff cannot exceed 26 weeks in the course of 18-month. In case it is either highly probable or clear that the situation of a company will be permanent, a notice of dismissal must be given. If you want to lay off or dismiss more than 10 employees, you are required to inform NAV about it\textsuperscript{131}. For more detailed information regarding the issue of layoffs please visit the following link: [87].

8.4.13. How can I end an employment relationship in Norway?

The procedure of employment dismissal is relatively complicated in comparison with a great many countries in the world. The first step that needs to be taken if the employer wants to terminate the employment relationship with a worker is to discuss this matter with the employee and his or her


\textsuperscript{130} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/HES-internal-control/ (available in English)

\textsuperscript{131} Altinn: https://www.altinn.no/en/Start-and-Run-a-Business/Operation/Working-conditions/Lay-offs/ (available in English)
representative before any decision is made. It ought to cover at least the reasons for the termination as well as any selection amongst workers. It is possible that such a conversation cannot be made owing to the fact that the employee does not want to have it or in case it is not practicable. In accordance with the Norwegian law, certain requirements connected with the notice of dismissal need to be fulfilled. First, it must be prepared in a written form and delivered to the worker either in person or sent by the registered mail.

Second, the period of notice starts when the employee receives it. Moreover, it has to meet all legal regulations (e.g. it should inform of the right to demand negotiations, of his or her right to remain in the position, etc.). In addition, definite information concerning the employer and the defendant in case of legal actions should be provided. Finally, you, as the employer, will have to state reasonable grounds for the dismissal (these should be presented in a written form in case the employee demands them). In the situation when an employee would like to give a notice he or she merely needs to submit it in writing. The period of notice is usually one month. In order to get to know more information and details regarding the issue of employment termination check the following link: [88], where such matters as warnings to employees, the obligation to issue a written reference to an employee when the employment relationship ceases, business transfers, etc. are discussed thoroughly.

8.4.14. Other tasks associated with doing business in Norway

Indeed, all what has been written above may seem overwhelming to the readers of this guide. There are a lot of regulations, obligations and duties that you, as an employer, need to obey in Norway. Nevertheless, it is so complicated only at first sight. To be fair and honest, there are also other tasks for an entrepreneur that need to be done while conducting business here, however they are not as essential as those that have been discussed in the paragraphs above. These tasks are connected with such issues as corporate social responsibility, obligations in relation to statistics, the moving and reorganizing matters or various things concerning the limited companies. The comprehensive description and legal regulations regarding these problems are available here: [89].

8.5. WHAT IF I WANT TO CLOSE MY BUSINESS IN NORWAY?

This part of the guide is concerned with the process of winding up your enterprise. Due to the fact that the main focus of this guide is to help you to open, not to close a firm in Norway our support will be limited to giving you the links where the appropriate information associated with the issue discussed in this section can be found. If you want to read more about regulations connected with the bankruptcy/liquidation process visit the following link: [90]. In case you would like to know more about the deregistration and closure procedures in the Kingdom of Norway, check here: [91].
USEFUL REFERENCES/WEBSITES

Availability of the desired domain name: www.norid.no

Common web portal for public reporting: www.altinn.no

Innovation Norway: http://www.innovasjonnorge.no


The list of Norwegian banks is available here: http://www.bankenessikringsfond.no/en/Main/Members/

Norwegian Labour and Welfare Administration (NAV): www.nav.no

Private Sale/Buy/Rent announcements: www.finn.no

Recognition of foreign education and qualifications (NOKUT): www.nokut.no

Registration of businesses, (The Brønnøysund Register Centre, Brønnøysundregistrene): www.brreg.no

Residence permit and visum: The Norwegian Directorate of Immigration (UDI, Utlendingsdirektoratet) www.udi.no

Statistics Norway: www.ssb.no

Taxes: the Norwegian tax office (Skatteetaten): www.skatteetaten.no
REFERENCES

[1] https://www.nav.no/Cash-for-care+benefits+for+the+parents+of+toddlers.805369180.cms


conditions/Pay/Employers-National-Insurance-contributions/


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