

WORKING IN NORWAY

One man limited companies working in Norway are, by concession, exempt from Norwegian Corporation Tax on their profits. However this concession requires that the day rater declares 75% of his invoice value as a salary. This salary is subject to PAYE in Norway, and National Insurance in the UK. Effectively you are running parallel payrolls in Norway and the UK and are reporting identical values. Because Norwegian PAYE is, on average, higher than its UK equivalent, no UK tax falls due on your salary. Norwegian PAYE is calculated and remitted bi-monthly. The reporting year begins on 1st January. The invoices raised in January and February are reported for PAYE at the start of March and the tax must be settled by the 15th March.

In the UK National Insurance is applied to this same value and remitted every 2 months. We prepare the bi-monthly reporting for the Norwegians and the NI return for the UK authorities. At the end of December we prepare the Norwegian equivalent of a P35 (Employers Annual Return) and a Norwegian P60. At the end of March we prepare the equivalent UK documents for NI. You need to have a Norwegian bank account in your company name from which the bi-monthly Norwegian PAYE liabilities can be settled.

The 25% of your invoice value which belongs to your company covers the Employers NI on your 75% salary and the residue can be applied to your partner's wages and other operating expenses of the company. Anything remaining is subject to UK Corporation Tax at 21%.

A step by step guide to the process follows:

At the outset Account Tax Ltd will register your company and personal details with the Central Office Foreign Tax Affairs (COFTA). The information required is:

- Copy of the contract; date contract commenced and duration of contract
- Who the principal is ie your Norwegian Agent
- Where the work is to be carried out – Norwegian Continental Shelf or if Onshore must state municipality
- Date when the first employee is to start work in Norway
- Total number of employees in the company
- Nature of the company's activities
- Copies of company Memorandum and Articles
- Copy of the Certificate of Incorporation
- Full details of each director, name, home address and citizenship, marital status and gender
- Point of contact within the company and a copy of their passport – usually this is one of the directors

Your contract details are also reported on by your Norwegian Agent. The form RF1199 contains details of the value of the contract, the duration and your company name. This alerts the Norwegian tax authorities to the fact that your company has started trading in Norway. Your agent provides Account Tax Ltd with a copy of the RF1199. This triggers us to prepare form RF1198 which informs COFTA as to the individual who will be working in Norway for your company, ie you.

Account Tax Ltd can then apply for exemption from Norwegian National Insurance (it's much higher than UK National Insurance). This requires that we complete UK forms CA3821 and CA3822. These are lodged with the DSS in Longbenton. They issue clearance directly to the Norwegian Authorities and copy us in.

Finally, at the December year end, we need to prepare a Norwegian personal tax return which contains you Norwegian income per the P35/P60.

It should be noted that although the Norwegian tax paid on your salary cancels out any exposure to UK income tax on the same salary, it does not remove exposure to higher rate tax on UK investment income. Shares and savings should therefore be transferred to your spouse (assuming she won't be a higher rate tax payer) whilst you are working in Norway.

The higher day rates available in Norway mean that you will be better off, in terms of take home pay, at the end of this tortuous process.