



Starting Your Own Business

An introduction to different aspects of Norwegian regulations



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Acknowledgements

The text in this document is produced by Bedin based on information from a number of different sources. In some instances, the information has been somewhat shaped to suit the purpose of the guide. In others, such as references to legislation and regulations, and where the information already is available in English, we have given priority to precision and consequently chosen to reproduce the contents from the proper authority. Nevertheless, all mistakes - both factual and with respect to language - are solely our responsibility.

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If you find errors or perhaps have other comments, please don't hesitate to contact us via www.bedin.no. Your contributions will be appreciated.

Our main sources:

- www.bedin.no
- The Brønnøysund Register Centre - www.brreg.no
- The Tax Administration - www.skatteetaten.no
- The Ministry of Finance - government.no (MF)
- The Ministry of Foreign Affairs - government.no (MFA) and www.norway.org.uk/
- www.norway.no
- Statistics Norway - www.ssb.no
- The Norwegian Labour and Welfare Organisation (NAV) - www.nav.no
- The Norwegian Labour Inspection Authority - www.arbeidstilsynet.no
- The Ministry of Labour and Social Inclusion - government.no (MLSI)

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Preface

In Norway there are nearly no restrictions on starting a business.

If you are at least 18 years old, not declared incapable and not under bankruptcy quarantine, you may establish an enterprise. You don't have to live in Norway yourself; however, the enterprise must have a Norwegian address.

On the surface it seems uncomplicated to start your own business.

Registration is achieved by submitting a single form to the authorities. But of course, there are a number of rules and regulations that affect both starting up and running your business. And it is your responsibility to know all aspects relevant to your business enterprise.

In addition to knowing the implications of the relevant legislation, you have to make some decisions that will influence both formal aspects such as accounting and auditing, and your status as businessman or -woman. You may for instance be the owner of and work in a sole proprietorship or, you may be employed by a company that you in fact own. In this guide we will outline how this will affect taxation, social benefits etc.

This guide is meant primarily for you who are on the brink of starting your own business, operating in Norway.

Admittedly, all aspects of the legislation and the corresponding regulations are not easily accessed, particularly since a great part of the relevant material is available in Norwegian only. We have, however, done our best to use relevant sources, verify the terminology and explain the essential implications for the

entrepreneurs in a straightforward manner.

The early chapters deal with the formalities: How to register the business, the implications following the choice of business entity, taxation (in particular Value Added Tax), accounting and duties as an employer. - Note that accounting and VAT are dealt with in separate guides from www.bedin.no. Following that, we introduce restrictions, i.e. businesses that require some authorization or licence. Also some aspects of import and export are introduced. One chapter deals with the business plan, an important document in your dealings with others, such as credit institutions. Finally, we provide a short glossary where we explain and give you the original Norwegian term of some of the concepts used.

This guide is somewhat voluminous. Still, we cannot claim that we are able to give you the full picture. We do, however, hope it will serve as a satisfactory starting point. And we most certainly wish you the best of luck with your plans as an entrepreneur in Norway.

Remember that if you need further information, the Narvik Business Hotline (800 33 840) is only a toll free phone call away.

Introduction

Business climate in Norway

In Norway, stimulation of the entrepreneurial spirit is a policy of national priority. Not surprising, knowing that the majority of the businesses our welfare will depend on 10 - 15 years from now do not yet exist.

Whether it can be attributed to the industrial policies or not, will not be discussed here, but it is a fact - according to the Global Entrepreneurship Monitor (GEM) - that Norway is among the top entrepreneurial countries in Europe. The general interest in starting one's own business is stimulated for instance by competitions for prospective entrepreneurs and even TV programmes on how to transform business ideas into successful enterprises.

In simple terms one may say that Norway's economic policy is based on the following pillars:

- Stabilize and counteract unemployment and inflation.
- Stimulate industrial growth in all parts of the country.
- Influence the structure of industry.
- Influence the distribution of income.

Regions with little industry are subject to more lenient taxation than other areas, for instance in the form of differentiated payroll tax. Also, credit institutions have been established to provide support to the regional industrial sector as well as agriculture, fisheries and certain other industries. The purpose of these schemes is to promote innovation, maintain traditional industry or prevent the sudden disappearance of local industry.

In addition to their financial and credit policies, the central authorities have implemented an income policy which involves taking measures to influence the outcome of the wage, agricultural

and fisheries settlement negotiations and more.

The distribution of income is achieved primarily through the regulation of and rates for income tax and social benefits, including the National Insurance Scheme.

Tax agreements for research and development expenditures, as well as state support for research have been implemented to promote the growth of new industry.¹



¹ Source: www.norway.org (Edited from Aschehoug and Gyldendal's Norwegian Encyclopaedia)

Type of Business

For you, about to start your own business, the choice of business entity is often the first question to arise.

Starting a new business, the alternatives are normally:

- Sole proprietorship / self-employed business (In Norwegian "enkelt-personsforetak").
- A company of unlimited liability ("ansvarlig selskap" - ANS or "Delt ansvar" - DA). In this guide, we often refer to this type of entity as **unlimited company**.
- A private limited liability company ("aksjeselskap" - AS). In this guide mainly referred to as **limited company**.

The choice has bearing on the responsibility you assume as owner of the business and your freedom to control the assets of the business.

The company category should match both the business sector and your financial situation.

The type of business entity affects:

- Your responsibility as owner
- The extent by which you may control the assets of the business
- Your personal responsibility for the business debts
- The formal bodies of the business, i.e. general assembly, board or a business manager

The standard types of business enterprises are discussed in some detail later. Note that this guide cannot give specific advice on what type will suit your purposes. We will, however, try to cover the implications on income, taxation and possible debts associated with each type of business entity.

Business or Recreational Activities?

Preconditions

For your actions to be regarded as business activities, they must involve transactions of an economic nature. What you do must show the potential of producing a profit. However, not necessarily immediately; - business resulting in losses over the first few years is still considered business as long as the activities may generate a profit in the future.

The tax authorities² decide on how your activities will be regarded. They will consider the period over which the activities are carried out, as well as the extent of these activities when deciding on the nature, i.e. business or hobby.

Note that these conditions are not absolute – there are no definite thresholds that must be exceeded for the hobby to be regarded as business. However, in one case (business) all costs related to the activities are deductible on your tax return, in the other (hobby) they are not. It is therefore very important that you engage in a dialogue with the Tax Office at an early stage to prevent any surprises later on.

Will your plans lead to real business or are you actually a wage earner?

The distinction between one and the other may be hard to detect. However, if you are going to own the operating assets, decide the working hours yourself and possibly experience losses, then you are most likely running a business in the perspective of the tax authorities.

If you, on the other hand, only work for a single principal who provides

all necessary tools/operating assets and furthermore, decides on when and how the work is to be carried out, then you probably will be considered as an employee.

By own expenses and risks

An important condition is that the activities of the business enterprise shall be carried out on the executive's - often the owner's - own expenses and risks.

“*By own expense*” means that the executive covers the expenses related to the work. These can be costs of materials, purchasing costs and running expenses, etc.

“*By Own risks*” means that the executive has the responsibility for the results of the assignment. The principal can, for instance, complain if not satisfied with the results.

Financial profit

The business must be able to generate a financial profit over some period of time. It is not necessary to have a profit immediately if it is conceivable that a profit will occur at some later stage.

Activity

The business must imply activities. Passive capital dispositions such as stock investments and letting of own residence do not constitute a business enterprise. However, the self-employed person does not have to be active himself/herself, but may instead have employees who carry out the work.

One of the decisive conditions for acceptance by the Tax Authorities is that the business both involves activities of a *certain extent* and *duration of a certain period of time*. Neither term is actually defined. The extent and duration will be assessed by the Tax Authorities. Single assignments or casual assignments are not enough

to constitute a self-employed business.

If several of the following points are true, you are most likely running a business:

- You have several principals on a regular basis, consecutively or at the same time.
- You have your own office or workshop.
- You provide the necessary raw materials yourself.
- You use your own operating assets such as machines, transportation, computers.
- Your turnover/revenue is generated by delivered goods or services rather than per time unit. However, as a consultant, you may very well be paid by the hour.
- The work does not necessarily have to be carried out by you. Instead you may use someone employed by you.
- The assignment is limited, both with respect to time and extent.
- When the assignment is completed, you cannot demand another from the principal.
- The principal has no professional nor managerial authority over you.
- The principal may complain and seek compensation if not satisfied with the result.
- The principal pays for the assignment as a whole, not for the individual elements such as materials, management, use of machinery etc.

The above list is not complete. Note that there is no single point that is considered decisive. In fact, you must expect the tax authorities to examine your business as a whole before a decision on business or hobby is reached.

² The organisation of the tax authorities is explained in a later chapter. Regarding the question of business or hobby, the Tax Office is the proper authority.

Register Your Business

Initial registration

Central Coordinating Register for Legal Entities³

In order to run a business enterprise you have to be registered in the Central Coordinating Register for Legal Entities (CCRLE). Following registration, you will receive a nine-digit organization number used in business documents and in your information exchange with the authorities. Unless you have a valid organization number, you cannot open a bank account on behalf of the enterprise. Furthermore, you cannot engage employees nor register in the Value Added Tax (VAT) Register.

How to register the business?

Having considered the different aspects of becoming a businessman or -woman, you are now ready to take the next step - making your business a legal entity.

The authorities must be notified when you found a company, when employees are hired and when you start selling goods and/or services subject to VAT and other taxes. If at least one of the mentioned conditions applies, you must register the business with the CCRLE. The Combined Register Return (see below) will save you from reporting the different applicable issues to individual authorities.

Prepare the Combined Register Return⁴

Obtain the form "Combined Register Return". Use the form's part 1

³ See www.brreg.no/english/registers/entities/

⁴ In Norwegian "Samordnet registermelding". For the time being, the form is only available in Norwegian. For online registration (in Norwegian), go to www.brreg.no/blanketter/hovedblankett.html

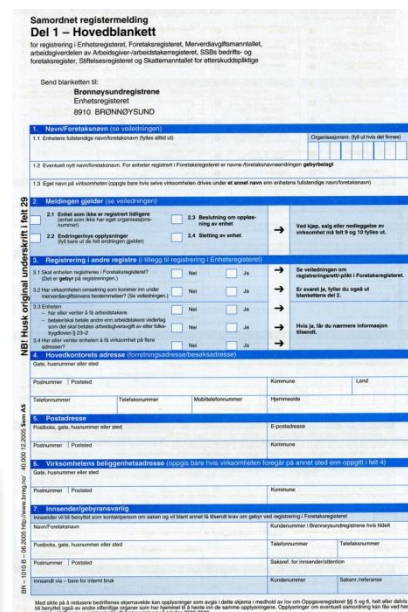
(main form), which can be downloaded from <http://www.brreg.no/> or ordered from the Narvik Business Hotline 800 33 840 or Brønnøysund Register Centre by telephone, +47 75 00 75 00. In the process of entering the data, it will normally become clear if your entity must be registered as a business enterprise, if you are an employer and if you are eligible to pay VAT on the goods and/or services you sell.

Obtain the form Combined Register Return ("Samordnet registermelding") from:

- The Brønnøysund Register Centre
 - The Norwegian Labour and Welfare Organization (NAV)
 - The Tax Office
- or
- The Narvik Business Hotline, tel. 800 33 840

The different authorities cooperate by exchanging the information with each other. Hence, all information may be submitted to the Brønnøysund Register Centre, the Norwegian Labour and Welfare Organization (NAV)⁵ or the Tax Office. These offices may also provide the form and help you fill it in.

⁵ NAV is the organization handling social security services.



At a later stage you will use the same form for announcing changes related to the business. All the co-operating bodies will have their records corrected when you have notified one office.

The following registers are associated with the CCRLE:

- The employee section of the Employer/Employee Register
- The Register of Business Enterprises
- The Foundation Register
- The Value Added Tax Register
- The Statistics Norway's Register of Companies and Business Enterprises
- The Norwegian Directorate of Taxes' Register of limited companies

A legal entity shall notify, and be registered in, the CCRLE at the same time as, or earlier than, it is registered in one of the associated registers (see above).

The name of your enterprise

The name of a company is regulated by the Business Name Act⁶. The minimum requirement is a name consisting of at least three Norwegian letters, numbers, orthographic signs and possibly the abbreviation identifying the type of company. Thus, ABC AS and 2BIAS DA are legal names. The name cannot be identical to names already Registered in the Register of Business Enterprises. The term “identical” should be understood quite literally, taking into account all letters, spaces, numbers and signs. However, the letters identifying the type of company are not included. Consequently, the names KARI AS and KARI ANS are considered identical. Note also that the assessment of identical enterprise names is independent of municipality (location of the business) and business sector.

For sole proprietorships (self-employed) businesses, the rules differ somewhat. The family name of the owner must be included, e.g. HANSEN’S BAKERY and CAR REPAIR OLE OLSEN. The family name may be used alone, meaning that HANSEN, MOER and ØVREGÅRD may be registered. If only the family name is used, there is no check for or prohibiting of identical names.

Foreign companies registering a branch in Norway may use the same name as in the country of origin, even if the name consists of less than three letters and/or is identical to the name of a municipality, a county or a country. One restriction though, the name cannot include letters or signs that are not identified as accepted letters/signs in the Register of Business Enterprises.

⁶ In Norwegian called "Foretaksnavneloven".

Register of Business Enterprises

The Business Enterprise Registration Act⁷ lists a number of different types of organizations that have to register. Generally, the registering in the Register of Business Enterprises is mandatory for all who conduct business activities and all enterprises with limited liability.

The register serves different purposes. And an important one is to maintain a correct record of people that may be held responsible for actions in the name of the company.

In sole proprietorships, there can be no doubt as to who is the responsible person. Therefore, such enterprises are exempt from the general registration duty. However, sole proprietorships either selling goods purchased for such purposes and/or employing more than five employees in full-time posts are required to register. Sole proprietorships not required by the act to do so, may register on a voluntary basis.

Foreign entities are obliged to register in the Register of Business Enterprises if they conduct business activities in Norway or on the Norwegian continental shelf.

Registration in the Register of Business Enterprises ensures the following to a business enterprise:

- **The right to operate a business enterprise.**
- **Legal protection** of the business name.
- **A certificate of registration** as identification for lenders, legal registration authorities, and customs and excise authorities.
- **A business enterprise organization number** as important identification to authorities and for coordinating private and public business registers.

⁷ In Norwegian: "Foretaksregisterloven".

- **Identification** of the executives of a business enterprise.

The Central Coordinating Register for Legal Entities - foreign entities

For foreign entities, the Central Coordinating Register for Legal Entities and the Register of Business Enterprises shall comprise the following information:

1. Name, type of organization and business address of the foreign entity.
2. Owner, participants with full liability or fully liable partners or the board of directors; their names, dates of birth, addresses and the relevant signature authorisations.
3. Share capital if the entity is a limited company and how much is paid up. If the share capital is not fully subscribed, only the subscribed capital can be stated as share capital.
4. The memorandum of association and the articles of association of the main business enterprise.
5. The state by whose legislation the entity is bound. Whether the entity is registered in a public register of business enterprises in its home country, and if so, the name and address of this register and the registration number.
6. Name and address of any business premises or permanent establishment in Norway or on the Norwegian continental shelf.
7. The type of business activities that will be conducted.
8. The board and general manager if elected or employed specifically for the activities, and if so, whether they are entitled to bind the entity by signature or per procurationem⁸.

⁸ A legal term often abbreviated p.p. meaning "by agency" or "by proxy".

Note that 2, 3 and 4 above may be omitted if recorded in a foreign register of legal entities as stated in no. 5 above. The foreign register must be approved by the King of Norway. If applicable, the register will also contain information related to dissolution of the main company.

Special requirements for entities that carry out VAT-eligible activities in Norway:

Foreign entities without a permanent establishment in Norway and which are subject to the stipulations of the VAT Act, must appoint and report a Norwegian representative. The VAT representative can be a physical or legal person. The representative must have a residential/business address in Norway. The representative is jointly and severally liable for payment of VAT together with the foreign entity.

The required information must be recorded in the Combined Register Return, partly in the Main Form, partly as attachments (see below).

Signature

If the register return only refers to the Central Coordinating Register for Legal Entities, it shall be signed by the general manager, business manager or another responsible contact person.

Notice of first time registration in the Register of Business Enterprises shall be signed by the board members of the Norwegian enterprise. If such a board does not exist, the general manager shall sign. If there is no general manager either, the register return shall be signed by an authorised signatory in the country of residence.

Register Return attachment requirements

- Memorandum of Association and Company Articles of Association.
- Certificate of registration from the register of business enterprises or

register of companies in the country of residence.

- Minutes from the competent body in the entity documenting the election of any board and general manager specifically for the activities in Norway.
- Minutes from the competent body showing the allocation of signatures or authorisations for the entity when such information is not stated on the certificate of registration from the country of residence.
- Foreign entities that will operate via a VAT representative must attach minutes from the competent body documenting the appointment of the representative, and a statement from the representative that he/she accepts joint responsibility with the entity for ensuring that VAT is calculated and paid.
- Information that does not appear on either the certificate of registration or the articles of association must be verified in the form of minutes from the competent body in the entity.

Registration in the Register of Business Enterprises also requires:

- Minutes from the competent body in the entity verifying the decision to establish activities in Norway. If the notice is signed by an authorised signatory in the entity, it is not necessary to submit the aforementioned minutes from the competent body in the entity.

Documents that contain registration information shall be in Norwegian. In extraordinary circumstances, documents in other languages will be accepted at the discretion of the registrar. It may be required to submit a translation confirmed by a translator authorised by the Norwegian authorities.

D-number

The form is titled "Request for assignment of a D-number" and is addressed to "Skatteetaten (Beregningssentralen) 0110 OSLO". It contains several sections:

- 1. Name:** Fields for "Name" and "Address".
- 2. Date of birth:** Fields for "Date of birth" and "Sex" (Male/Female).
- 3. Address:** Fields for "Address", "Post code", "Municipality", and "Country".
- 4. Other identification information:** A text area for additional details.
- 5. Signature:** Fields for "Signature" and "Printed name".

 Below the form, there are instructions in Norwegian: "Personer som ønsker å søke om registrering i Norge og som ikke har fått tildelt et D-nummer må fylle ut dette skjemaet." and "Skjemaet skal sendes til Skatteetaten sammen med en kopi av et identitetsdokument."

All persons holding positions identified by the Combined Register Return, e.g. the general manager and those authorized to sign for the company, shall be identified by a personal identity number/D number/organization number, name/name of enterprise and address. Foreign citizens without a Norwegian personal identity number must state their D-number (11 figures). If a D-number has not been allocated, the Central Coordinating Register for Legal Entities will requisition one from the Norwegian National Census Register (Sentralkontoret for folkeregistrering). Use the form "Request for assignment of D-number" and attach a signed copy of the foreign person's passport.

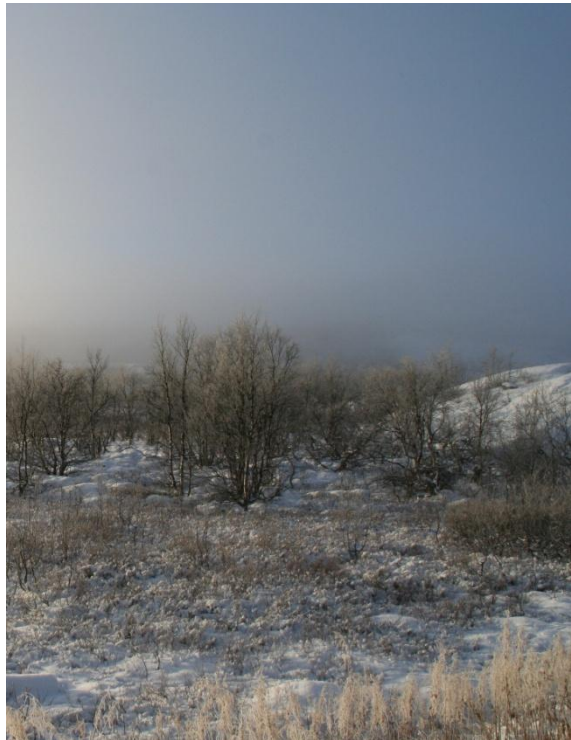
The form can be downloaded from the Brønnøysund Register Centre ([D-number form](#)). Personal identification numbers and D-numbers are confidential and will not be disclosed to unauthorised persons.

Authorisation

Some types of businesses require authorisation before starting up or the business is conducted. Authorisation is for instance required for businesses like: Driving instructors, doctors, physiotherapists, auditors, accountants, lawyers, stockbrokers, real-estate brokers to mention some.

If your business falls within the above categories, is a matter that should be raised with the proper authorities. Admittedly, it is sometimes difficult to identify the correct authorities, and if in doubt, contact the Narvik business hotline (800 33 840).

You will find further information on licenses in a later chapter.



Choice of Business Entity



Initial considerations

One of the first questions arising when a new business entity is formed, is what type of enterprise will offer the most benefits for the kind of business one intends to establish? Unfortunately, there is no single, definite answer to that question. You will have to consider the pros and contras, and perhaps seek advice from someone who has been in the same position.

Representatives of the authorities will, in general terms and to the best of their abilities, try to outline the consequences of the different alternatives, but you cannot expect advice with regard to your particular situation.

Note that your choice will influence aspects like the extent of your personal responsibilities, risks, taxes, rights and duties, and your liberty to manage the assets of the company.

It is therefore natural (in some cases even necessary) to seek advice from accountants, auditors, lawyers or other professionals before the final choice is made.

When you start a new and probably small company, you normally face the following alternatives:

- Sole proprietorship (self-employed business)
- Unlimited liability company (ANS and DA)
- Limited liability company (AS)
- Cooperative (SA)

Sole Proprietorship (Self-employed Business)

The sole proprietorship is a type of organization where a single and real person is responsible for the business. As indicated by the term identifying the type of business, such a company will have just one owner.

In such a company you have extensive financial freedom. You are, however, also financially responsible for all debts and obligations incurred by the company. Note that there is no distinction between personal and enterprise liabilities: You are personally responsible for the company's debts, even with your personal wealth and possessions.

In order to establish a sole proprietorship, you must be at least 18 years old, and you must not be restricted by bankruptcy quarantine. You do not have to be a resident of Norway. However, the business enterprise must have a Norwegian address.

All sole proprietorships may (but are not required to) register in the Central Coordinating Register for Legal Entities. The registration is free of charge. Sole proprietorships also have the right to register in the Register of Business Enterprises, but a fee is charged. If the business engages at least five employees and/or is conducting trade, registration is mandatory.

You may experience that many suppliers will ask for your organization number in the Central Coordinating Register for Legal Entities, perhaps to check if the new enterprise is real, i.e. another incentive for registering your business.

Many entrepreneurs start their businesses as sole proprietorships, but reorganize to limited liability (AS) companies at a later stage, for instance when the business grows.

Doing so is simple. The opposite however, transforming an AS to a sole proprietorship, is much more complicated.

There are no restrictions on receiving a wage or salary and at the same time running your own sole proprietorship. Inform the Local Tax Assessment Office that your total income will consist of income from paid work and profit on business activities. On the basis of the information from you, the tax office will estimate your total income, thereby determining the advance tax⁹ payments.

In sole proprietorships the net profit is subject to taxation, together with possible income from paid work. On the other hand, given an overall positive income, loss from the business enterprise is deductible. The latter may be a great help in the start up process, if you hold on to your position in another company while trying to make your sole proprietorship a success.

A common misunderstanding is that you only pay tax for the amount of money you withdraw from your company. This is not correct. Even if you withdraw nothing, the net profit of the company is tax eligible.

Income from the sole proprietorship is calculated as part of your personal income. Together with the standard personal tax return¹⁰, you have to fill in a business enterprise return that informs the tax authorities about the financial situation and performance of your company. The profit of the company is transferred to the income part of your personal tax return.

⁹ The glossary gives an explanation of "advance tax".

¹⁰ See the glossary

The deadline for submitting the return(s) follows the deadline for business enterprises.

As the sole proprietor by definition is not a wage earner, he or she is not, in case of illness or sick leave, automatically entitled to social benefits from the first day of absence. Note that a medical insurance is not mandatory. Neither does the proprietor have to set aside money for holiday leave for him- or herself. The sole proprietor has no rights regarding the state guarantee concerning wage claims in case of bankruptcy, nor compensation for temporary or permanent lay-off.



Business with Unlimited Liability

In a company with unlimited liability there are two or more owners, often referred to as companions (partners). In such a company the owners have a personal responsibility for the overall liability of the company, in full or in part, however, in a way that collectively covers the debt of the company.

In practical terms we distinguish between two main types of unlimited companies:

ANS (responsible company):

In this kind of unlimited liability company each owner has a personal responsibility for all debts (solidarity responsibility). The amount of debt one owner is unable to cover, may be charged each one of the other owners.

DA (Collective responsibility):

In this kind of unlimited liability company the owners are collectively responsible for all debts. However, each owner is responsible only for a part corresponding to his/her part of the ownership.

A creditor cannot, for instance, charge more than 10 per cent of the debt from the owner holding only 10 per cent of the ownership, even if the other owners are unable to cover their parts.

When an ANS or DA type of company is established, a company assembly is obligatory. You and your partners are required to make a written and dated agreement signed by all partners. The minutes from this meeting, signed by all partners, together with the company agreement must be submitted to the Register of Business Enterprises when you want to register the company. You should be aware of some formalities: The company agreement must as a minimum state:

- (a) The name of the enterprise.
- (b) Names and residential addresses of all active partners. Note that the company also may have so called silent partners, i.e. partners who do not represent the company in any external relations nor have a substantial ownership/responsibility.
- (c) The purpose of the company.
- (d) The municipality where the company has its main office.
- (e) If the partners are making capital investments, in which case the value of the investments must be stated.

In addition, the owners/partners often draw an agreement that regulate the relations between them. Note that it is up to the partners to decide if any valuables should be deposited in the company or not, as the act does not demand cash or a

nominal start-up capital. You may decide to make investments not consisting of cash, for instance an operational asset required for the business.

In an unlimited liability company, the deposit or start-up capital does not hold the same significance as it does in a limited liability company. The reason is of course that if necessary, you and your partners are obliged to cover any debts with your personal assets.

It is simple to transform an ANS or DA to an AS (limited liability company), the reverse however, is much more complicated.

Unlimited liability companies are subjected to partner taxation. This means that each partner is a personal tax payer, where his/her part of the profit (or loss) is treated together with other personal income and deductible expenses. If your ownership in the company is 25 per cent, then 25 per cent of the net profit is added to your personal income. Also, 25 per cent of the value of the company capital assets is added to your personal property.

The actual ownership, i.e. your part of the company is stated in the company agreement.

Business with Limited Liability

Private limited liability companies - identified by AS - or public limited liability companies - identified by ASA - are enterprises where none of the participants are personally liable for the company's obligations.

The founding and operation of a limited liability company is governed by Act no. 44 from 1997, "The Limited Liability Company Act" (In Norwegian: Aksjeloven).

In a limited liability company, none of the owners is responsible for more than the sum paid as share capital. You may, however, be required to secure the company

loans by a personal guarantee, collateral or some other surety. In case of bankruptcy, your liability is then the share capital plus the surety.

The actual responsibility is limited to the share capital itself, i.e. the nominal value of the shares any owner owns. The company's creditors may only seek compensation from the assets of the company.

Should a bankruptcy occur, the creditors cannot demand compensation from the shareholders. Neither can the creditors demand that the shareholders pay up additional capital into the company beyond the sum required as the nominal value of the shares.

Since the creditors may only demand payment from the valuables and assets of the company, from their point of view it is important that the company is sound and has a fair working capital that is not likely to be withdrawn from the company. The Limited Liability Company Act therefore states that all the shareholders have to pay a minimum amount of money – the share capital – that the owners normally cannot withdraw from the company.

In addition, the act states a number of conditions limiting the owners' right to use the capital and valuables of the company. There are, for instance, rules limiting the amount given as share dividends.

Likewise, there are limitations to the amount of money the owners may lend from the company.

The Act states that the share capital shall be at least NOK 100 000. One might say that this is the entrance fee for establishing and running a business where the owners enjoy limited liability.

The share capital may be linked to a single or a number of shares with the same nominal value. Any

one shareholder may own one or more shares.

The liability of a shareholder is limited to the capital paid to the company.

The exception is when the owners violate the conditions stated in the Act, in order to protect the share capital or in the instances where the owners clearly have conducted acts that jeopardize the valuables of the company or put the creditors at a risk of suffering a loss.

If that is the case, the shareholders may be held responsible and liable to pay compensation for the loss suffered by the company or the creditors.

Beware also that the standard rule of limited liability may be overruled by agreements. In cases of mortgages or loans, it is customary that the banks demand the shareholders to personally present guarantees that secure the loans established in the name of the company. Such a guarantee means that if the company is unable to meet its obligations, the bank may demand the shareholders who have signed the guarantee to personally honour the obligations.



The shareholders

The shareholders are the owners of the company. The term "share" simply means a part ownership of the company. One or more persons may own the company, and a single person may own one or more shares.

When a share of the company is acquired, one particular responsi-

lity is assumed, - the responsibility to pay for the share within the time limit expressed in the Act. As compensation, the shareholder gets a number of "rights" in his/her dealings with the company.

The shareholder is for instance entitled to his/her share of the profit, and he/she may attend the general assembly and vote on the issues raised.

The share is, as previously mentioned, a part ownership in a company and may as such be regarded as a valuable. Shares may be traded or mortgaged, but note the conditions that may apply. When a share is sold, the buyer also receives the rights associated with the share.

As shareholder in a company you may withdraw money as share dividend or receive a salary for your work in the company. There are strict rules regarding the amount given as share dividend. Many entrepreneurs starting limited liability companies also work in their own businesses, receiving compensation in the form of salaries/wages. In such a case you are a wage earner in your own company and will enjoy the benefits as well as the drawbacks of such a position. For instance, the company deducts tax according to the tax rate decided for you. In addition, the company will have to pay payroll tax on your gross wage/salary. On the other hand, being a wage earner means social benefits, for instance in case of illness, not available to the sole proprietor.

Company articles

All companies with limited liability must have Company Articles of Association. The Act states certain minimum conditions that the articles must fulfil. In addition, the Company Articles may cover aspects not explicitly stated in the Act.

Note that the Act in fact gives extensive rights to state other Company Articles than those that otherwise would apply according to the words of the Act. The Company Articles may only be altered by the General Assembly.

Among other things, the company articles should state:

- The name of the company.
- The name of the municipality from where the company will operate.
- The type of business.
- The share capital.
- The nominal value of each share.
- The number of members of the board.
- A list of issues to be addressed by the general assembly.

Memorandum of Association

In addition to the Company Articles, the Act requires certain additional contents of the Memorandum of Association: Primarily, all founders must be identified by name, address and personal identification number (fødselsnummer).

The memorandum must also state how many shares each founder buys. One person may buy several or even all shares, and the founders may buy different number of shares.

The memorandum must state the price for each share. It may be decided that the share subscription be paid in the form of money or in other goods/valuables. If the latter, there are certain rules as to the documentation of the value of the goods/valuables.

Note that the sum paid for the share can never be lower than the nominal value as indicated by the Company Articles. However, it may be higher.

In such a case, it is said that the shares are bought at a premium.

The Memorandum of Association declares the latest date for payment of the share capital into the company's account. The Act states that the share capital must be paid in full before the company is registered in the Central Coordinating Register of Legal Entities. The company must be registered within 3 months after the signing of the Memorandum of Association. Consequently, it is advised that the final date for payment of the share capital is before the 3 months have passed. In addition, the memorandum decides the members of the board and the auditor of the company.

General Assembly, board of directors and managing director

The top-level body of the company is the General Assembly. All the shareholders have the right to attend the General Assembly, and normally, the right to vote. Usually one share gives one vote.

In addition, the company must have a board (of directors). The members of the board are responsible for the day-to-day business affairs of the company.

The company may also have a manager. For companies with a share capital of less than NOK 3 million it is not necessary to appoint a general manager.

In small companies, organising the management of the company may be very simple. Often it is sufficient that the company has appointed a board (of directors). The board may even have only one member, possibly, but not necessarily one of the shareholders.

In general, the enterprise may itself decide on the number of members on the board. However, if the share capital is NOK 3 million or more, at least three members are required. The actual or minimum number of

members must be stated in the Company Articles.

The board is elected by the company's General Assembly. The General Assembly decides on electing/appointing deputies to the board members. At least one deputy is required if the board only has one or two members.

At least half the number of the board members must either have permanent residence in Norway or live in and be subjects of European Economic Area (EEA) states.

The members of the board are normally elected for two years. The Company Articles may decide longer or shorter service times, but four years are the maximum. The service time ordinarily starts at the time of election, and lasts until the conclusion of the General Assembly in the last year of service.

The board has the actual leadership of the company, not only the business part, but also the overall operations and conduct of the company.

According to the Limited Liability Company Act, the board has the responsibility to ensure that the company is adequately organized. In addition, the board must see to that necessary plans and budgets are worked out.

Managing Director

Appointing a director or not, should be decided based on the best interests of the company. The board will normally look for the type of organization that is both sound and best suited to the expected business operations.

Managing director is the Limited Liability Companies Act's term for the person in charge of the day-to-day operations of the company.

Different terms may be used, e.g. in Norwegian "administrerende direktør", "forretningsfører", "daglig leder", etc. The Act applies

whatever title is given to the manager.

The managing director is normally employed by the company. In addition, the manager may well be a member of the board. That is entirely left to the discretion of the General Assembly.

The manager must be a resident of Norway, or be a subject and resident of one of the EEA member countries.

Summing up:

- Private limited companies are required to start with a share capital of minimum NOK 100 000.
- In addition to cash, the share capital may consist of assets, such as machinery, cars and office equipment. The founders must prepare a statement of such share capital entries. An auditor must confirm the statement.
- One shareholder is sufficient.
- At least 50 per cent of the board members must be residents of Norway. In addition, the managing director must be a resident of Norway. The provisions do not apply to citizens of states within the EEA when named citizens are residents of these states.
- The company must be founded, must prepare company articles and hold the forming general assembly in accordance with the Limited Liability Company Act.
- The company must be registered with the Central Coordinating Register of Legal Entities within 3 months of the forming general assembly.
- The company is required to engage an auditor.
- The company must submit the annual report to the Register of Company Account at the Brønnøysund Register Centre before 1 August the year after the end of the financial year.

Cooperatives (SA)

By a cooperative is meant a group whose main objective is to promote the economic interests of its members by the members taking part in the society as purchasers, suppliers or in some other similar way, when

1. the return, apart from a normal return on invested capital, is either left in the society or divided among the members on the basis of their share of the trade with the group, and
2. none of the members is personally liable for the group's debts, either in whole or for parts which together comprise the total debts.

The members are not obliged to contribute capital to the cooperative unless the individual member has agreed to this in writing when subscribing for membership or in a separate agreement. Any duty to contribute capital must be limited either to a certain amount or in some other way. The requirement of agreement does not apply to a duty to pay a membership contribution if so stipulated in the statutes.

A cooperative also exists if the interests of the members are promoted through the members' trade with an enterprise which the cooperative owns alone or together with other cooperatives, including a secondary cooperative.

A cooperative may be established by at least two persons and must always have at least two members. Should there be fewer members, the enterprise is to be dissolved.

Both natural persons and legal entities may be founders of the society. Those who are not of legal age and capacity may not be founders.

The founders must date and sign a memorandum of incorporation.

Once all the founders have signed the memorandum of incorporation, the membership has been subscribed for and the enterprise has been established.

Requirement as to the content of the memorandum of incorporation

- The memorandum of incorporation shall contain statutes for the enterprise, see below.
 - The memorandum of incorporation shall also state:
 1. the founders' names or business enterprise names, addresses and dates of birth or organisation numbers,
 2. the names, addresses and dates of birth of those who are to be directors.
 - If the founders are to contribute capital in connection with the establishment of the enterprise, the memorandum of incorporation shall also state:
 1. the amount that each founder is to pay and the total capital that the founders are to contribute,
 2. the date when the capital is to be contributed.If one or more of the founders are to settle a capital contribution in assets other than money, the memorandum of incorporation shall state the assets concerned, the name and address of the founder concerned and the terms that are to apply.
- The statutes shall as a minimum contain provisions regarding:*
- the enterprise's name,
 - the municipality in Norway where the enterprise is to have its registered office,
 - the activities to be carried out by the enterprise,
 - the size of any membership contributions, whether interest is to be paid on these, and whether these are to be repaid if a member withdraws from the enterprise,
 - whether a membership fee is payable,

- how the annual profit may be utilised,
- the number of, or the lowest and highest number of, directors,
- the issues that are to be discussed at the ordinary general meeting and
- how the net assets are to be divided if the enterprise is dissolved.

European Cooperative Societies – a new kind of enterprise entity in Norwegian legislation

The Act on European Cooperative Societies (the SCE Act) will make it easier for a cooperative to move its headquarters from one EEA country to another without having to dissolve the enterprise in the first and re-establish it in the next country.

Norwegian branch of a foreign enterprise (NUF)

A foreign enterprise that wishes to extend its operations to Norway, may register a branch of the enterprise in this country.

If a branch is established in Norway, it is the main office (headquarter) that is responsible for the Norwegian part of the operations.

If the branch has no employees, a Norwegian representative must be appointed. The representative will be responsible for tax obligations. The branch is normally obliged to pay taxes to Norway, and must otherwise operate according to the Norwegian legislation. If foreign citizens are employed, these must have work and residence permits.

There are no equity capital requirements in order to set up the branch. To register the business, one submits the form Combined Register Return to the Brønnøysund Register Centre. The following documents must accompany the return:

- A certificate of registration from the authorities in the country where the main office is located.
- Minutes from the managing board of the enterprise showing that a decision has been made to set up the Norwegian branch.
- Name of the person responsible for the Norwegian branch, or alternatively, the Norwegian representative and a declaration of consent from him/her.

All documents and annexes submitted to the Register of business enterprises must be in the Norwegian language.

The business address (in Norway) of the branch must be stated.

Note that the Combined Register Return must be signed by the members of the board and the manager in Norway. If neither is appointed, the return must be signed by the person authorized to commit the enterprise by his/her signature.

Bankruptcy in a Norwegian branch of a foreign enterprise (NUF)

The manager or representative of the branch may petition for bankruptcy. Only the part of the enterprise located in Norway will be taken under bankruptcy proceedings. The trustee (appointed by the court) will notify the foreign enterprise register about the possible liquidation of the branch.

Other types of enterprises

Associations and Societies

There are types of organizations which are not regulated by specific acts, but nonetheless, are subjected to certain rules and conditions. Such organizations may be societies, associations and for instance charity organizations (often referred to as NGOs - non-governmental organizations).

If you want to register a society in the Central Coordinating Register for Legal Enterprises, you have to certify that the organization is founded and currently exists. Hence, you need to submit both the Articles of association and the founding document in order to register.

- You may find other types of enterprises like limited partnerships (in Norwegian "kommandittselskap") and foundations. These types of companies are rarely used for business activities conducted by small and medium sized enterprises (SMEs). Hence, they are not considered here.

When you:

- establish a company ...
- hire employees or ...
- sell goods and services liable to VAT and other taxes ...

... the authorities must be notified

Value Added Tax (VAT)

VAT - who and when

The Tax Office maintains records of businesses that are obliged to pay VAT (the VAT Register), and has the responsibility for administration and control of VAT.

The part 2 of the Combined Register Return is dedicated to companies that are affected by the VAT regulations, and it is your duty to register. If the business, after the initial registration, is changed so that goods and services that are VAT eligible are included, the mentioned part 2 is submitted separately.

All people running businesses that sell goods or VAT eligible services are obliged to register in the VAT register when the turnover exceeds NOK 50 000 over a period of 12 months.

If you are registered in the VAT register, you are allowed to deduct VAT from the cost of the goods and services used in your own VAT eligible business.

For charity and public institutions and organizations, the registration limit is NOK 140 000.

General rule

A complete presentation of the rules governing VAT is found in the Act no. 66, "VAT Act". The general rule is that VAT (output tax) is calculated on all sales of goods and services, except health services and educational services. VAT on goods and service bought (input VAT) is deducted from the calculation.

Certain expenses do not qualify for deduction of input VAT. Among these are food expenses, payment in natural goods and representation expenses.

All input VAT deductibles must be qualified by genuine documentation, e.g. invoices, sales documents etc.

When goods are imported, the customs declaration¹¹, together with an account statement from the customs treasurer, serve as documentation of deductible input VAT.

Provided cash payment of the imported goods, the import declaration, stamped by the customs treasurer/office will serve as documentation of deductible input VAT.

Foreign businesses engaging in activities which are liable to VAT registration shall calculate and pay VAT according to the same rules as Norwegian businesses.

VAT shall be paid on the sales of all goods and services, unless they are specifically exempted from VAT liability. VAT is also charged on the withdrawal by the owner of goods and services from his own business when such goods and services are for private use or for other purposes falling outside the scope of the VAT Act.

The supply of certain goods and services are exempted from VAT, for example sales and letting of real property and rights to real property, financial services, health services, social services and educational services. A wide range of services in the cultural area are exempted. The same applies to certain services in the tourist business, like guide services. Taxable entities with only exempted sales shall not register for VAT and do not get credit for input tax on purchases.

Some sales of goods and services are exempted from output VAT, but qualify for deduction of input VAT under certain conditions. Such conditions include for instance sales of goods and services abroad, sales and services to foreign ships or

Norwegian ships engaged in foreign trade, to aircrafts in international routes and sales and services for use in the offshore petroleum industries. Note that companies engaged in such sales still are obliged to register for VAT.

VAT shall be calculated and paid on the importation of goods. For the purpose of VAT liability, it is irrelevant whether a consumer or a taxable entity imports the goods. VAT must also be paid on the purchase of services from abroad. Liability for VAT exists if the purchaser is a taxable entity or a public institution and the service would be liable to VAT if supplied in Norway.

VAT rates

The standard rate of VAT is 25 per cent. The rate of VAT on the sales of foodstuff is 14 per cent. The rate on public transport, on letting of rooms in hotels, motels and tourist cabins etc., and the hiring out of camping areas, cabins, and holiday flats is 8 per cent.

Registration in the VAT Register

Both foreign and Norwegian businesses supplying goods and services in Norway, shall register in the VAT register when their sales or withdrawals of such goods and services exceed NOK 50 000 over a period of 12 months. A written notice of the business activities shall be sent to The Central Coordinating Register for Legal Entities (CCRLE) or to the Tax Office where the foreigner (or his representative) has his place of business/residence. The written notice shall be given by filling in the registration form "Combined Register Return" part 1 and 2. If the business is already registered in

¹¹ The declaration is received from the TVINN system (the Directorate of Customs and Excise's information system for business enterprises)

CCRLE and has given all the necessary information to this register, only part 2 of the registration form shall be filled in.

Registration by the use of a representative

A foreign non-established business with taxable supplies in Norway, must register for VAT through a representative. When registered through the use of a representative, the foreigner gets the same rights and obligations as those that follow a normal VAT registration.

The only requirement the representative must satisfy is that he or his business is resident in Norway. For instance, it is not required that the representative is a qualified auditor or accountant etc.

Both the foreign business and the representative shall sign the registration form.

The foreign business must keep a complete account for its taxable activity in Norway. The representative shall keep a separate complete account for the supplies in Norway (purchases and supplies) by the foreign business.

The invoices for the foreign business' supplies in Norway shall be sent through his representative. The representative shall mark the invoice with his own name and address, the foreign business' registration number (organization number) followed by the letters MVA and the VAT (output tax) for the total supplies. The invoices shall be issued in at least 3 copies, and at least one of them shall be kept by the representative.

Both the foreign business and the representative are responsible for the calculation and the payment of the VAT.

Obligations and rights

A business established or resident in Norway must carry out its bookkeeping according to the Norwegian accounting acts. Norwegian and foreign businesses that are registered in the VAT register shall calculate and pay VAT (output tax) on their supplies of goods and services in Norway. A foreign business is entitled to deduct VAT paid on goods and services which are to be used in his Norwegian business (input tax). The right to deduction also includes VAT collected by the Customs Authorities at the importation of goods and VAT paid on the purchase of services from abroad.

VAT-registered persons must submit returns on a bimonthly basis to the Tax Office. The use of shorter periods may be granted if input tax regularly exceeds output tax by 25 percent or more. Taxable persons with supplies of under NOK 1 million per year may apply to submit VAT returns annually.

The VAT return must be submitted and VAT be paid one month and ten days after the end of each period, see the VAT Act Chapters 8 and 9.

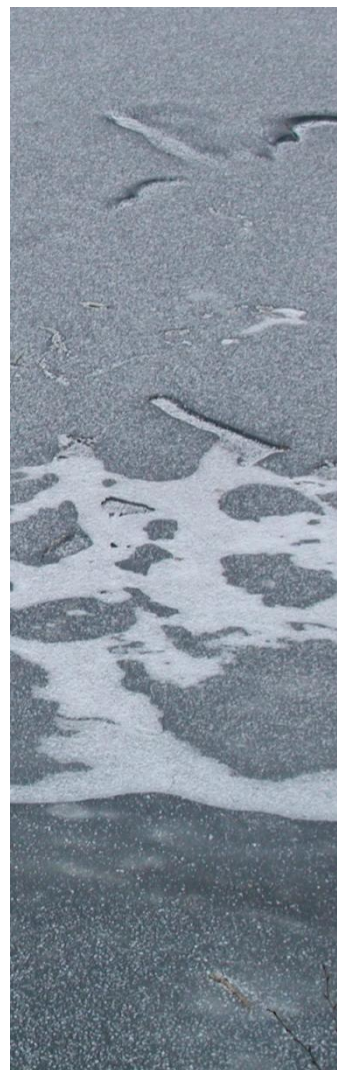
More information

For additional information, please refer to the brochure titled Guide to Value Added Tax in Norway. The VAT provisions are laid down in the Act relating to Value Added Tax of 19 June 1969 no. 66. Both are available from the Norwegian Tax Administration website at www.skatteetaten.no/. Note that the guide and translated Act may not reflect the latest amendments to the Act.

Further information can be obtained from the Tax Office.

Special conditions

Foreign suppliers of electronic communications services are obliged to calculate and pay Norwegian VAT when such services are supplied to private individuals and other persons that are not engaged in business or public institutions, and who are resident in Norway. In these cases VAT shall be calculated and collected by the foreign supplier through a representative who must have his residence or his place of established business in Norway.



Accounting and Auditing

Legal Basis

Accounting and bookkeeping obligations are determined by two separate acts, the Accounting Act and the Bookkeeping Act. In simple terms the former states the types of business entities that are required to produce annual accounts and the obligatory contents of these accounts. The latter states the bookkeeping duties and records. All business entities regulated by the Accounting Act are also obliged to bookkeeping pursuant to the Bookkeeping Act. In fact, all legal entities carrying out business activities or participating in such activities in Norway are obliged to bookkeeping.

Note that accounting and bookkeeping are addressed in a separate guide found in Bedin: **The Accounting Guide**.

Accounting

The Accounting Act states that foreign enterprises carrying out business activities or participating in such activities in Norway, and who are subject to Norwegian taxation according to domestic legislation, are obliged to keep accounts pursuant to the Accounting Act.

This implies, among other things, that enterprises must register transactions that are of importance to the size and composition of their assets, liabilities, income and expenses in an accounting system.

The registration must comprise all information that is of importance to the preparation of the annual accounts and other financial reports that are required by acts and regulations (statutory reporting).

The accounting system must itemise all registered information that forms the basis for the amounts stated in statutory reporting.

Accounting records, including annual accounts, the board of directors' report, auditor's report, vouchers, time sheets, business agreements, correspondence etc. must be stored for either 10 or 3.5 years, depending on the nature of the document.

Many businesses use external accountants and the accountant must have the required authorization.

Apart from the bookkeeping and the yearly financial statement (balance sheet), the accountant may also assist with filling in and transfer of the periodic VAT returns, PAYE¹² and payroll taxes.

The actual legal basis is found in the Accounting Act and corresponding regulations.

According to the Act, self-employed businesses/sole proprietors (having a balance sheet total of up to NOK 20 million and up to 20 employees) and liable companies (having a turnover of up to NOK 5 million and less than 5 employees) do not have to work out a financial statement as defined by the Act.

When so requested by the tax authorities, the books shall be made available for control.

Required documentation

All businesses with a statutory obligation to keep accounts pursuant to the Accounting Act also have a bookkeeping obligation pursuant to the Bookkeeping Act. The purpose of the bookkeeping regulations is to ensure the preparation of reliable and punctual financial statements and enable subsequent control of these statements. External control requirements are thus a primary concern of the bookkeeping

¹² Pay-as-you-earn – tax withdrawn from the employees wages

regulations, however, up-to-date and adequate bookkeeping will always be a precondition for financial management and control. The minimum requirement consists of the following:

- Outgoing invoices
- Incoming invoices and completed documentation of expenses
- Cash register for registration of cash sales
- Ledger for cash payments
- Ledger for personal usage of goods and/or sales to the shareholders
- Register appointments (e.g. if you run a studio or medical centre)
- Register orders
- Register time spent on assignments or projects
- Register changes in the stock
- Register transactions with respect to project/assignment
- Perform the annual stock counting and produce the stock overview

Registration of transactions can be done abroad, but documentation must be kept in Norway after the financial year statements have been prepared.

Accounting principles

The Norwegian Bookkeeping Act is harmonized with the accounting directives of the European Union. The expressed and governing principle is that the financial statements shall be in accordance with generally accepted accounting principles.

The standards are issued by the Norwegian Accounting Standards Board (Norsk RegnskapsStiftelse). The bookkeeping requires that all income and expense be entered in the books when it occurs. In most instances, the date on the invoice is the date used.

It is important that the bookkeeping is carried out continuously, making the books up to date at all

times. Cash income and withdrawals are entered on a daily basis, and all the books should be revised and updated at least every second month.

All transfers between customer and supplier, including cash buys and sales between businesses are entered in the debtors' and creditors' ledger.

Documentation of expenses and income

All records in the income statement must be documented by receipts (vouchers). It is recommended that the file be organised as follows:

Outgoing invoices (sales)	Numbered
Incoming invoices (buys)	By date or alphabetic
Cash sales receipts	By date
Bank transactions	By date
Uncategorized vouchers/receipts	By date

Note that all expenses and buys must be documented by receipts in their original.

When goods are sold to other business enterprises, the documentation consists of a numbered and dated sales document (invoice).

The Act is strict with respect to both the contents and format of the invoice. It must include the following:

- A pre-printed number
- The date of the issue of the document
- Name and address of the seller
- The business registration number
- Name, address and registration number (if existing) of the buyer
- The nature and volume of the services provided
- Time and place for the delivery

- Payments and date of maturity
- Taxes connected to the transaction
- For sales between VAT registered companies the sales document shall indicate the price excluding VAT and the amount of VAT.

Companies selling primary to private customers may choose to specify the price including VAT in the sales document, but the VAT shall be specified separately.

If some of the services or goods are exempted from VAT, in accordance with the regulations of the VAT Act, each of these categories must be specified and added separately in the document. The same applies to sales where the VAT rates vary.

An invoice is always issued in at least two copies, where one is kept by the seller.

The cash sales receipts must, on a daily basis, be checked against the actual contents of the cash register. The result is dated and signed before it is filed.

Should you withdraw cash or goods for your own or your family's personal use or for gifts, all withdrawals must be recorded at the standard price. The record must

be dated and contain a description of the goods.

Making your business documents valid

All organizations registered in the Register of Business Enterprises must enter their registration number on the stationary and business documents. The number on the documents will authenticate the seller and add credibility between the business partners and in relation to the authorities.

If you are running a business and are registered in the VAT register, the letters MVA must be added at the end of the business register number on all documents. This will indicate that your business is obliged to include VAT to the sales price. If these identification letters or the business register number are missing on the sales document, your customer may not get deduction for the VAT. Limited liability companies, public limited liability companies and departments of foreign companies must in addition add the word "Foretaksregisteret" in connection to the business register number to indicate that the business is

If your enterprise is registered in the Register of Business Enterprises

Must always be entered for registered limited companies (AS) and subsidiaries for foreign companies. Voluntary for other enterprises registered in the Register of Business Enterprises. (Recommended position is above or in front of the organization number).

Foretaksregisteret
NO 987 654 321 MVA

The Organization Number
(9 digits). Also known as *Business Registration Number*. Present on all business documents.

Norwegian Country Code
(NO). Recommended on all international correspondence.

If registered in the VAT register
The acronym MVA must always be placed behind the business registration number.

registered in the Register of Business Enterprises. Other businesses registered may do the same, but are not obliged to do so. The purpose of this requirement is simply to provide information on which register the enterprise is registered in.

There are additional requirements for limited liability and public limited liability companies regarding the business documents. The company entity and the head office address must be added, and it must be notified if the company is under liquidation.

Annual report

The financial year follows the calendar year. Based on the recorded transactions as described and the stock counting, the enterprise shall produce an annual report consisting of profit and loss statement, balance sheet and cash flow statement.

The annual report and financial statement must be produced in Norwegian language.

Contact the local tax office for explanation of the rules governing the stock counting and assessment of the value of the stock.

Storage of records

As mentioned, the records must be filed in Norway for a period of 10 years or 3.5 years after the end of the financial year.

The 10 years obligation include all transactions documenting the business, such as annual accounts, directors' report, auditor's report, business agreements, correspondence etc.

Time sheets and vouchers must be kept for 3.5 years.

Auditing

You are obliged to appoint a Norwegian auditor if the operating income from your business entity's overall activities in Norway exceed NOK 5 million. If the annual accounts show operating income exceeding this threshold, the obligation to appoint a Norwegian auditor comes into effect for the subsequent accounting year. If the operating income in the following two accounting years falls below this threshold, the obligation to appoint a Norwegian auditor ceases from and including the third accounting year.

Sole proprietorships and unlimited liability companies with up to five employees that are required to follow the Accounting Act are exempted from the obligation to appoint an auditor if the annual turnover is NOK 5 million or less. Limited liability companies must **always** appoint auditors.



Illness Benefits, Occupational Injuries, Pension Scheme

The right to illness benefits for sole proprietorships and owners of unlimited companies starts from the 17th day of absence. The benefit equals 65 per cent of the ordinary income.

You may achieve a better compensation by a voluntary additional national insurance contribution. There are three alternatives:

- 65 per cent of the ordinary income from day 1 if you pay an additional insurance premium of 1.8 per cent
- 100 per cent of the ordinary income from the 17th day if you pay an additional premium of 2.5 per cent
- 100 per cent of the ordinary income from day 1 if you pay an additional premium of 10.5 per cent.

Regardless of the ordinary income, the upper limit for illness benefit is set to 6G, where 1G is the National Insurance basic amount (of money) used for calculating benefits from the social services. In 2008, 1G equals NOK 70 256 per year.

If you suffer some kind of occupational disability within four weeks from the date the social services received your application for inclusion in the national insurance scheme, you are not entitled to the compensation or social benefits normally covered by the insurance scheme.

The premium for the insurance is deductible on your tax return.

Calculation of the basis for illness benefits

The basis for the illness benefits will normally follow the income defined as the basis for calculation of pension points. The benefits are then calculated on basis of the average pension points for the last three years. The definition of the pension points is not given here.

Note that it is the income defined as basis for the pension points that warrants the right to illness benefits, not the income derived from the business activities. If you have income both as an employee and from business activities at the same time or in different periods, it is the combined income that forms the basis for calculation of the illness benefits.

Maternity benefits

Parental benefits: Self-employed receive parental benefits calculated on the average pension-accumulating income over the last three years of income. Parental benefit amounts to 100% of the calculated income base. Information about the scheme is available at the local office of the Norwegian Labour and Welfare Organization (NAV).

Mandatory occupational pension

The duty to have an occupational pension scheme applies to companies, both taxable and tax-free, with man-labour years above a certain minimum level. The duty applies to companies that have:

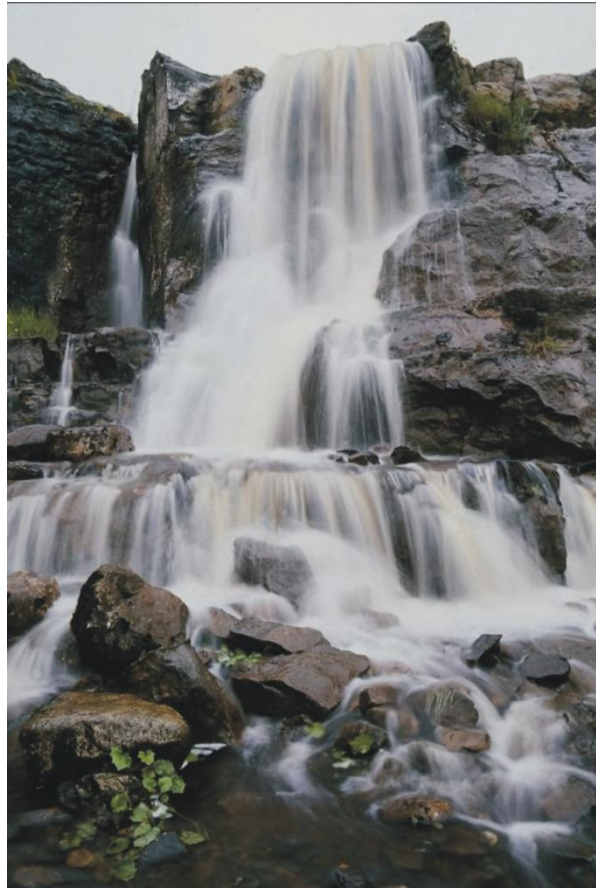
- at least two persons who both have working hours and wages that represent 75 per cent or more of a full time position,
- at least one employee, without ownership interest, who has working hours and wages that represent 75 per cent or more of a full time position, or
- persons, who each have working hours and wages that represent 20 per cent or more of a full time position, and together carry out work representing at least two man-labour years.

The act does not apply to employers who have a pension scheme in accordance with legislation or collective agreements that apply to state or local authority employees.

Employers must either have a defined contribution or a defined benefit pension scheme. Defined benefit schemes provide pre-defined benefits, usually a certain percentage of the members' salary on retirement. In defined contribution schemes, employers pay a pre-defined annual contribution. Defined contribution schemes are offered by banks, life insurance companies, pension funds and companies that manage securities funds. Defined benefit schemes are offered by life insurance companies and pension funds. Employers will pay contributions into the scheme every year, so that employees earn pension entitlements. The contribution must be at least two per cent of the employees' earnings between 1 G and 12 G in a defined contribution scheme. A corresponding requirement applies to defined benefit schemes. In addition to the contribution, the pension scheme shall also contain an insurance element that ensures that employees continue to earn pension entitlements in the event of disability. It is permitted to exclude employees under the age of 20 and those in part-time employment of less than 20 per cent of a full-time position from the pension scheme. Employees may be required to also contribute to their own pensions, but such contributions will not reduce the minimum requirement for employers' contributions. Employers are also obliged to cover the costs of administering the pension scheme.

The main rule is that pensions shall be paid for at least 10 years from the age of 67 years. The size of the annual pension will depend on several factors. In contribution schemes, pension payments will depend on the size of the contribution, the number of years contributions have been paid, the return on the pension assets and the length of the period during which a pension is paid. In defined benefit schemes, the pension will normally be stipulated as a certain percentage of the employee's salary on retirement.

The size of the annual pension will therefore depend on how many years the employee has worked and his/her salary on retirement.



Employment

An employer in a private enterprise may employ whom he/she wants. Nevertheless, the Employees Act has some rules that must be obeyed.

The employer cannot demand the applicant to give information concerning political, religious or cultural questions or if he/she is a member of any employees' organizations. As a general rule, questions concerning sexual orientation or partnership are prohibited. However, if such information is related to the nature of the occupation and of importance for the work, the applicant may be asked to give information about this.

If a trial period is agreed upon, this agreement must be written and the trial period shall not last longer than 6 months.

For work in a public limited liability enterprise, the Administrative Act applies in addition to the Working Environment Act. For employees of the national authorities, the Civil Servants Act may also apply. The Equal Status Act also contains regulations concerning appointments.

The main rule is that the employee shall be permanently appointed.

Temporarily appointed working agreements are agreements that are valid for a stated period of time or a stated work that is of an incidental nature. If someone is appointed temporarily, it is a premise that the conditions for temporarily appointed working agreements are present.

Temporary appointment is allowed in the following situations:

- When the character of the work is of a temporary nature or the work is separated from the ordinary work that normally is done in the enterprise. This may be season work, e.g. within the food industry and tourism.
- Temporary appointments for picking soft and hard fruits, guiding

tourists, serve at outdoors restaurants in the summer, are allowed.

- Temporarily appointed workers must not perform the ordinary running of the enterprise. General variation in the market, e.g. the flow of orders, will not be a reason for appointing someone temporarily. But if unexpected situations occur that will cause temporary increase in the quantity of work, temporary appointments may be allowed.
- Working as a trainee – education in a profession.
- Working as a substitute. – The stand-in must be hired for replacement of specific persons and incidents, e.g. illness, holidays or leaves of absence.
- Participants in unemployment programmes run by or in co-operation with the labour market authorities.
- The company manager may be appointed in term of years.
- Some jobs within sports – sportsmen, trainer, referees and other leaders within the sports.
- Work within art, research or sports with tariff agreements agreed upon between a national employees' organization and the employer.

The working agreements will end automatically when the time limit agreed upon is reached or the work is completed, if not otherwise agreed upon.

Registering the employee

If, at the time of registration in the Central Coordinating Register for Legal Entities or the Register of Business Enterprises, you know you will employ people, you mark the “yes” (“ja”) box of the Combined Register Return.

The local office of the Norwegian Labour and Welfare

Organization (NAV) will then contact you. Later on, you just send a new notification whenever an employment starts or ends.

Remember that you have to register yourself if you work in your own limited liability company. Note also that you have to establish work hazards insurance for all the employees.

The Employee Register

The forms used for registration in the employers' and employees' registers are obtained from the Norwegian Labour and Welfare Organization (NAV). Alternatively, you may submit the form via www.altinn.no (in Norwegian).

The forms must be returned no later than the Friday following the start or termination of the employment.

A notification of employment must be sent when the work relation is expected to last more than six days and consist of on average at least three hours of work per week.

The employer must also inform about any changes in the name, address and location of the business.

All notifications to the NAV office must include the organization number of the business.

You cannot employ foreign persons unless they have work permits.

Following the Working Environment Act, there are limitations as to what types of work may be done by persons between the ages of 13 and 15 years.

Persons under the age of 16 years cannot work between 21:00 and 07:00, while people between the ages of 16 and 18 years cannot work between 23:00 and 06:00.

- Remember that you have to register yourself if you work in a your own company of limited liability

Working agreement in written form

There shall always be a written working agreement, regardless of the time limitations of the work.

The Norwegian Labour Inspection Authority can give advice and information regarding rules and regulation.

How to make tax deductions in advance

The employer must calculate the amount of tax to be withheld from the employee's salary/wage. The basis for the tax deduction is all kinds of wages and other remuneration in cash, including allowance for working abroad, stand by allowance (as well as wages during an off-duty period relating to work performed in Norway or on the Norwegian Continental Shelf), holiday pay and bonuses. Payments in kind according to rates stipulated by the Tax Directorate, such as free housing, free car or living allowances, must also be included in the basis for tax deduction.

If the employer has arranged net-wage for the employees working in Norway (i.e. the employer will cover all Norwegian taxes), a gross wage has to be calculated on basis of the net-wage before calculating the amount of taxes to be withheld.

How to report and pay the taxes withheld

A Norwegian employer is obliged to submit a record sheet (periodic return) to the Tax Office in the municipality where he is registered with head office (head office municipality).

Foreign employers (i.e. employers not resident in Norway) will be registered with head office in municipality 2312 - COFTA. The

employers in question are obliged to submit a record sheet in two copies to Skatt Vest, Foreign Tax Affairs Department.

The deadlines for submitting the periodic returns and transfer of taxes are:

Period	Report by ¹³	Tax payment by
January/- February	March 8	March 15
March/April	May 8	May 15
May/June	July 8	July 15
July/August	Sept. 8	Sept. 15
September/ October	Nov. 8	Nov. 15
November/- December	Jan. 15.	Jan. 15 (next year)

If tax withheld is not paid when due, a penal interest will be charged. There is also a legal right to distraint on subcontractor's outstanding claims with the contractor.

Responsibility

The employer is responsible for deduction and transfer of the amount of taxes withheld in accordance with the rules and regulations in force. If this is not done, the employer will be held responsible for taxes that should have been withheld. Failure to comply with these regulations may result in criminal liability. The obligations and the responsibility that follow from the Tax Payment Act also apply to the contractor/-principal in Norway.

¹³ If the periodic return is submitted electronically (www.altinn.no) the deadline is the 15th for all periods.

Duties

Deal with the Tax Office in connection with the following duties:

	Deadline
Obtain the advance tax deduction cards from the employees	<i>Before wage/salary is paid or prepayments are made</i>
Establish a tax deduction account in a bank	<i>Before the first salary is paid</i>
Give the employees a wage/salary receipt showing the deducted taxes	<i>Every time the wage/salary is paid</i>
Establish a personal account in the business accounts for every person receiving wage/salary	<i>At the first calculation of wage/salary</i>
Deduct taxes from the wages (PAYE)	<i>Every time the wage/salary is paid</i>
Work out and submit periodic return for advance tax deductions/calculation of payroll taxes	<i>The 8th day after the end of each period. The 15th day for the 6th. period</i>
Payment of advance tax deductions and calculated payroll tax	<i>The 15th day after the end of each period</i>
Prepare wage- and tax deduction overviews for the employees and submit accompanying letter/annual report	<i>Before January 20 of the year after the wages/taxes in question</i>

Deal with the local office of the Norwegian Labour and Welfare Organization (NAV) in connection with the following tasks:

	Deadline
Notify the employee register about employee entry/exit	<i>The first Friday after the employer/-employees relation has changed</i>

Taxation



Sole proprietorship (Self-employed business)

The owner of a sole proprietorship is responsible for the obligations of the business. He/she is taxed for the valuables as well as the profit of the business enterprise.

A profit from the business activities is transferred to the owner's personal tax return and is added to other income if such income exists. Also the value of the enterprise's possessions is transferred to the wealth part of the tax return. If the enterprise suffers a loss, the amount is deductible from the income.

The personal income of the owner of the sole proprietorship is calculated independently of his/her direct contribution to the result of the business enterprise. The personal income forms the basis for calculation of the social security contribution and possibly additional tax if the income exceeds the level fixed for the year in question.

If the spouse of the owner works in the company, he/she is not entitled to wage or salary. Instead, the profit or loss is divided between the spouses. Each spouse's part depends on assessment of the contribution in terms of work load.

The owner of a sole proprietorship is subject to payment of advance tax. The tax is paid in four terms to the Municipal Treasurer (the tax collector's office). The tax authorities in the municipality determine the advance tax based on

the income from previous years. New sole proprietors must contact the Tax Office in order to determine the advance tax.

Taxation of unlimited companies (ANS or DA)

Unlimited liability companies are not subjected to tax themselves. The owners/partners will be taxed for their part of the profit, or, if a loss is suffered, may deduct the loss from their income.

Partners working in the company pay ordinary income tax on their income. Such income reduces the profit of the company. The profit is subjected to a tax rate of 28 per cent. Withdrawals of any kind are subjected to the same tax rate (28 per cent).

Before the additional tax on withdrawals is calculated, the tax that results from the company's profit and a so called shielding deduction is subtracted from the withdrawals. The shielding deduction is defined as the shielding interest multiplied by the shielding basis. The shielding interest is fixed for each year by the Ministry of Finance. The shielding basis is either the value of the partner's capital or valuables invested in the company by the end of the year, the partner's nominal capital investment or the partner's part ownership of the company's own capital as determined for tax purposes.

Taxation of limited companies and shareholders

Limited companies are defined as legal entities and as such subjected to taxation in the form of company tax.

Profit is taxed as "ordinary income" and the tax rate is a fixed

28 per cent. Ordinary income is defined as gross profit minus all expenses related to the business activities, including depreciation for tax purposes.

A limited liability company pays the tax the year after the profit is generated.

As shareholder in the company you may be subjected to taxation in two forms:

1. You are employed by the company and receive normal compensation (wage/salary): Your wage plus social security expenses are treated as expenses in the company's profit and loss statement. You yourself are regarded as a tax payer according to the current regulations.
2. Taxation of the share dividends from the company, i.e. the part of the earnings paid to the shareholders.



Mandatory Licences etc.

Some types of businesses require special licences. Some of these licenses are described in this section.

Authorization

Some types of businesses require that the owner or responsible person has the required authorization. Such authorization is required for:

- Driving instructors
- Doctors
- Physiotherapists
- Auditors
- Accountants
- Lawyers
- Stock brokers
- Bond brokers
- Real estate brokers

Travel agencies, travel organizers etc.

To run a business arranging travels, you are required to raise guarantees consisting both of individual and collective guarantees. Questions related to travels and travel guarantees are directed to the Reisegarantifondet, in charge of administering the required guarantees.

Catering businesses

In order to run a catering business, such as café or restaurant, you must have authorization from the municipality where the business is located. The local branch of The Norwegian Food Safety Authority (Mattilsynet) must accept the premises and the business, before authorization is given. Also, the manager cannot have a criminal record.

Licence to serve alcohol

Serving alcohol for payment requires a special licence from the municipal authorities. The licence is given to each place individually.

Contact the municipal administration for further information.

Transport business

To start and run certain types of such businesses requires a licence. Application is submitted to the transport board of the county. Licensed businesses include:

- Taxi driving
- Ambulance driving
- Buses and other types of public transport

Currency regulations

Payment abroad

When money is transferred between Norway and a foreign country, a declaration of payment (betalingsmelding) must be filled in. The currency bank fills in the form, but the customer is responsible for the validity of the contents of the declaration. The bank is required to demand proof of identity from the customer when the amount of money transferred abroad exceeds NOK 10 000 and NOK 40 000 to Norway. If the transfer exceeds NOK 60 000, the customer is required to divulge the cause of the payment.

Foreign bank accounts

When an account is established abroad, the Norwegian Bank (Norges bank) must be notified. All transfers to and from the foreign account must be reported to the Norwegian Bank. In addition, you are required to declare, in writing, that the foreign bank may submit information about the account to the Norwegian Bank.

Further information may be requested from the Norwegian Bank.

Concession/licence

Buying or renting a home, a cottage or other property to be used in a business does normally not require a license if you have permanent residence in Norway. You must, however, submit a declaration stating that you fulfil the no-license requirements. The form may be obtained from the local Tax Office.

The Tax Office will also inform you about the status of the property with respect to license.

The no-license clause does not apply if the property is rented or owned by a company, e.g. a limited company, even if you are the sole owner of the company. In such instances, you must apply for a license. The application must be submitted within four weeks after the agreement about the transfer of the property was entered or the property taken over. Together with the application, you send in a copy of the deed, sales contract, renting contract or other contracts, and the valuation of the property.

When you apply for license for buying or renting a large property, you must fill in the application form "Application for license to obtain land" ("Søknad om konsesjon på erverv av fast eiendom"). The application form may be obtained from the farming office (landbrukskontoret). The application is sent to the mayor of the municipality where the property is located. In Oslo, the application is sent to the Manager of Property (eiendomssjefen) of Oslo Municipality.

Building licence

In order to raise a new building or do other building jobs, such as altering the facade, erecting a new supporting wall or demolition of a building, an approval is needed from the municipality. Approval is also necessary in order to alter the usage of a building, e.g. converting from living quarters to offices.

If in doubt about the necessity of an approval, you ought to contact the building authorities of the municipality before any building job is commenced. An application for licence will be treated in a period of a few weeks to several months.

Identity cards in the building and construction industries

The introduction of identity cards is a measure aimed at achieving more efficient control of employees' health, safety and working environment as well as greater accountability in the construction industry.

All enterprises, whether Norwegian or foreign, performing work on building and construction sites are required to issue ID cards to their employees. The ID cards must also be used by sole proprietorships (self-employed enterprises). Employees of foreign enterprises that operate in the building and construction industries in Norway must also carry ID cards. If employees are hired through an agency, it is the recruitment agency that must ensure that the hired

employees have been issued with ID cards.

The requirement even applies to personnel who perform support functions such as cleaning, catering etc. where such support functions are permanently established at the building or construction site. Also people who transport goods to the site must be issued with ID cards if such transport takes place on a regular basis.

Condition for the issuing of ID cards

It is a condition for the issuing of ID cards that the enterprise and employee are registered in the relevant public registers. The relevant registers in this context are:

- [The Central Coordinating Register for Legal Entities](#)
- [The VAT Register](#)
- [The NAV State Register of Employees and Employers](#)
- [The Central Office for Foreign Tax Affairs \(in Norwegian\)](#)
- [The National Population Register \(in Norwegian\)](#)

Information about which registers the individual enterprise or employee is obliged to register with can be obtained by contacting the individual registers or the Service Centre for Foreign Workers in Oslo.

The ID cards are issued by Norsik AS, which is also charged with the task of checking submitted information on behalf of the authorities. An ID card will only be

issued if the applicant is correctly registered in the relevant registers.

Schemes for entrepreneurs

Many municipalities have established local schemes for entrepreneurs. Contact the local administration for further information.

If you are running a business as hairdresser, bricklayer, carpenter etc., you may get some financial support for hiring apprentices. Contact the local jobcentre (NAV) for further information.



Import and Export of Goods

It is the duty of the Customs and Excise authorities to charge custom duties and taxes as well as control all import and export into and out of Norway. Accordingly, there is a number of rules that must be adhered to.

The actual customs transaction is based on the principle of personal declaration. This means that the importer/exporter declares the goods to the customs authorities by an electronic (EDI) transfer to the TVINN system, i.e. the customs authorities' central information system for the businesses, or by filling in the Single Administrative Document (SAD).

On the authority of the Norwegian Directorate of Customs and Excise, some importers, exporters and transport agencies are allowed to carry out the customs dispatching.

The goods cannot be used or exported before the customs office has approved by giving the transaction a dispatch- and serial number.

The customs authorities will in each case decide if and to what extent the goods shall be checked. The check may be in the form of document check, physical check of the goods and/or check of the owner's/exporter's books.

- Remember to contact the Customs and Excise authorities when importing and exporting goods

Information from the Directorate of Customs and Excise

The customs authorities have produced their own handbooks related to import and export of goods.

These handbooks, found on the Internet pages of the directorate (www.toll.no), are in Norwegian only.

Contact the nearest customs office for further information.

- Remember to contact the customs office when goods are imported or exported.
- It is your responsibility to make sure all current regulations are followed.
- You may avoid many problems if you check out the regulations before the transaction takes place.



Business Plan

Before you start

You are contemplating starting your own business. In that case, there are a number of considerations to be made before the enterprise is a reality.

Imagine you are about to start on a sailing trip and there are many islands and rocks in the area. If so, it is vital that you know where you are, where your destination is and how to navigate to get there. Also, you must consider what equipment you need for the trip.

In the business community such "travel documents" are denoted a business plan. Thus, the business plan is a document that describes your business idea and how you intend to run your business.

- The Business Plan outlines the business idea and how to achieve your goals

All experienced entrepreneurs agree that the process leading up to as well as the actual writing of the business plan is the best method to reach a decision on actual starting up, and to succeed if she does. The plan is your tool in dialogue with banks, investors, cooperation partners and possibly public support organizations such as Innovation Norway¹⁴. The plan includes all that is necessary for others to decide if it is worth while to support your activities towards your own enterprise. Do not copy from others. This is your plan, - your ideas should be reflected.

Note that the business plan in essence is a prediction or a simulation that reveals elements / aspects that helps you decide if

starting a business is right for you. And in the critical, early days when the business is established, the plan will reduce the risk for failure.

Do not make the plan more voluminous or complex than necessary. However, the business plan must, with respect to contents and layout, be a high quality product. If presented to a financial institution, Innovation Norway or others, the executive officer will notice if the plan is thoroughly prepared and realistic, if all parts hang together, if you have covered all aspects, if the market analysis is realistic, if your budgets are correct - and finally, if the plan's layout and design are attractive.

There is no denying that writing a comprehensive business plan is a challenging exercise. We will recommend that you invest considerable time and effort in making it as accurate as possible. The reward is a document that gives you necessary insight both in the business idea itself and the potential in the market place.

Furthermore, we strongly recommend that you write the plan yourself. It is tempting to engage professional consultants for the job, but the plan should be your achievement, reflect your aspirations and give your points of view. However, if you need professional advice on certain aspects, e.g. the product's market potential, patents etc., don't hesitate to seek assistance. In fact, it may prove productive to have someone to talk to during the process, - someone to test your ideas on, who is willing to provide friendly advice and criticism.

Vision, mission statement and business idea

The vision is a short, succinct and preferably inspiring statement about what the enterprise intends to achieve at some time in the future,

often stated in competitive terms. For instance, the vision of General Electric is "We bring good things to life". The mission statement is the vision translated into written form.

We will argue that for the majority of companies, having vision and mission statements changes nothing. The value is limited, unless the company owners, management and executives live the vision, are seen to live the vision and constantly communicates the vision to the employees.

However, what you do need is a clear, well defined business idea, i.e. a statement telling what you intend to do (your products/- services) and where too do it (your marketplace).

Marketing

The key to marketing is understanding your customers. You must be able to profile your target customer and his/her likes and dislikes accurately. This will help you understand how to position the product in the marketplace and how to price the product. You should also be aware of how your customer base is likely to change over time, whether it is declining or growing.

Do your planning properly: Collect facts, analyse the data, make some strategic decisions about the market and express your goals. Also, express how you intend to reach these goals. An analytic approach is to do a realistic SWOT (strengths, weaknesses, opportunities and threats) analysis of each market segment and/or product. You will probably experience that the final plan requires a fair amount of iteration. You are likely to detect areas of concern that influence earlier decisions, thus having to go back and make amendments.

¹⁴ Innovation Norway is an organization that promotes nationwide industrial development profitable to both the business economy and Norway's national economy.
www.innovasjon Norge.no

Further advice

- Write correctly! Use a language that is easily understood and have someone proof reading the plan. If you have to include difficult or not commonly used terms, explain the meaning, for instance in footnotes.
- Make sure the business plan is well-structured and easy to navigate.
- Do not include too many details. Detailed market analyses, budgets etc. may be given as appendices.
- Refer to sources and documentation where relevant. This is particularly important when you argue the market and economic potentials.

The different sections of the business plan

For your benefit, we have published a business plan template (MS Word format), guidelines to the template and budget plus cash flow calculation tools (MS Excel-format) on www.bedin.no.

1. The Business Idea

Start by describing your business idea, the products and/or services you intend to offer and the market needs that will be satisfied. Next proceed to the basic information relevant for your business.

2. Personal Information

If you have an up to date curriculum vitae, it may replace some of the details in the section. However, it is very important to include information on the expertise, knowledge and experience possessed by you and/or people in your network that will enable you to start and run the enterprise.

3. Products/Services

Describe the products and/or services your enterprise will offer. Try to focus on and describe as

accurately as possible the product's unique properties.

How to produce or manufacture the product? If you are going to sell services, describe the essence of the service and how it will be produced. If someone is going to assist you in the delivery of the service, this should be included in the business plan.

Are you producing all parts of the service yourself, or will all or parts of the production be handled by others? Make sure to describe accurately what sub-contractors you intend to use.

4. The Market

Description of the market and potential customers is an important part of the business plan. Try to give short and concise answers to the questions in the business plan template (see below).

You should know the purchasing criteria of your customers. Purchasing criteria are the features the customers value when they select a provider of a certain type of product or service. Your ability to satisfy the most important criteria will determine if you are the chosen provider. You have to be at least as good as your competitors in satisfying the essential purchasing criteria. Such criteria may be design, functionality, the provider's trustworthiness, service and follow up, personal relations, price, delivery time and accuracy, availability etc. Ask potential customers what they are looking for when they buy the type of product or service you are going to offer and evaluate your ability to satisfy these criteria compared to 2 - 3 of your most important competitors.

5. Marketing and Sales Activities

How to make the customers know you exist? By advertising, brochures, personal sale or other methods? You and your associates are important assets in the market

approach. The more you know about your customers, the easier to direct the marketing activities precisely.

You should produce a market plan in order to describe how you will make you and your products/services known to the customers. A market plan is meant to serve as a statement on how much work and money you are willing to invest in order to:

- Influence potential customers to buy your product.
- Find partners in order to reach your customers.

We suggest that first you list what products and/or services you will offer and what market segments you want to attract. In section 9 of the before mentioned template, the two conditions are entered into a product/market matrix.

Next you list the actual market activities you have to apply to reach the different market segments. Enter the activities in an action plan (section 10 in the business plan template) and calculate how much resources you have to invest in these activities.

Also describe how you will sell your products/services, e.g. direct sale or through distributors.

6. Finances

For simple paper based calculations you may use the forms provided in the business plan template (see www.bedin.no).

If you wish to produce more detailed calculations, the Bedin website offers additional guidelines, however in Norwegian only. Select "Guider", followed by "Budsjettguiden".

- Check if the municipality has local schemes for people who want to start their own business

Tax Authorities

Tax authorities organisation

There is one Tax Directorate (in Oslo) and tax offices in five regions. All tax issues are handled by these offices.

For the tax payers this means:

- They only have to deal with one office, whatever the nature of their enquiry.
- They will find all services at the local office that has replaced the former Tax Assessment Office (ligningskontoret).
- All tax offices, irrespectively of where they are located, can deal with all enquiries. Thus, we will refer to the tax authorities as the Tax Office.

A single telephone number, 800 80 000, free of charge from land lines in Norway, is used to answer all questions.

The five regions are as follows:

- Skatt nord (Tax North) comprising the counties Nordland, Troms and Finnmark. Regional management in Tromsø.
- Skatt Midt-Norge (Tax Central Norway) comprising the counties Nord-Trøndelag, Sør-Trøndelag and Møre og Romsdal. Regional management in Trondheim.
- Skatt vest (Tax West) comprising the counties Sogn og Fjordane, Hordaland and Rogaland. Regional management in Bergen.
- Skatt sør (Tax South) comprising the counties Vest-Agder, Aust-Agder, Telemark, Vestfold and Buskerud. Regional management in Skien.
- Skatt øst (Tax East) comprising the counties Oslo, Akershus, Østfold, Hedmark and Oppland). Regional management in Oslo.

Each region is organised in five functional units: Guidance, tax assessment, control, tax oriented criminality and tax collection.

The Central Office - Foreign Tax Affairs (COFTA, tel. +47 51 96 96 00) is now a unit of Skatt vest (Tax West).

In addition, the Chief Municipal Treasurer (kjemneren/kommunekassereren) collects ordinary taxes including contributions to the national pension scheme and payroll taxes on behalf of the municipality and the state.

Glossary

This glossary gives brief explanations plus the Norwegian terms and phrases of some of the terms used in this document.

In particular, terms used in relation to taxes are not always easy to understand. Some of those explained here are used in the document, but not all. However, you are likely to come across others in your dealings with the tax authorities.

Taxation

General income (Alminnelig inntekt)

General income is the sum of all taxable pay, income from self-employment and capital income less standard deductions and certain expenses with the exception of special deductions. Normal deductions are the minimum standard deduction (minstefradrag), deductions for travel between home and the workplace, child-care deduction and interest on debts.

Advance tax (Forskuddsskatt)

Self-employed persons pay tax in advance four times a year. These advance tax payments are calculated on the basis of expected income. Some wage-earners and pensioners with low income and high wealth or capital income also make advance tax payments in addition to tax deductions from pay or pension. Capital income includes income from interest and property rental. In the case of wage-earners and pensioners who pay advance tax, the amount is printed on the tax deduction card.

Payroll tax, also known as Employer's contribution (Arbeidsgiveravgift)

Employer's contribution is paid by employers to the National Insurance scheme. It is calculated on the basis of gross pay and allowances.

Tax on gross income (Bruttoskatt)

The tax on gross income comprises surtax and National Insurance contributions, and is calculated on personal income.

Property tax (Eiendomsskatt)

A municipal tax on different types of property. The municipality itself decides according to specific rules whether or not to impose property tax and the size of the tax.

Wealth tax (Formuesskatt)

Wealth tax is charged on net wealth. Gross wealth includes cash, bank deposits, shares, fixed assets, private cars, assessed value of real property, etc. Net wealth is equal to gross wealth less debt. A certain proportion of wealth is tax-free. Wealth tax is divided between the municipality and the state.

Tax certificate (Likningsattest)

The tax certificate accompanies the tax settlement notice. It shows general income and wealth, tax class and personal identity number. In the case of married persons, it also shows the spouse's general income, wealth, tax class and personal identity number.

Certificate of pay and tax deducted (Lønns- og trekkoppgave)

The certificate of pay and tax deducted is filled in by the employer. It shows what the employee has received in pay and other allowances, such as subsistence allowance, company car, etc. during the course of the year. It also shows the total amount of tax deducted. The certificate of pay and tax deducted shall be sent to the tax authorities by the employer or remitter of pension or benefit by 20 January (31 January if submitted electronically via www.altinn.no) of the year following the income year with a

copy to the employee or recipient of pension or benefit.

Value-added tax (VAT) (Merverdiavgift (moms))

VAT is an indirect tax on most goods and services.

Net tax (Nettoskatt)

Tax charged on general income. Net tax includes tax to the municipality and county as well as national income tax to the state.

VAT return (Omsetningsoppgave)

Statement sent to the tax authority (data input centre) by a business enterprise or self-employed person liable for VAT showing the amount of VAT to be paid to or refunded by the state. VAT returns can be delivered electronically via the Internet. VAT returns are dealt with by the Tax Office.

Pension points (Pensjonspoeng)

The pension points are awarded as a function of the income defined as the basis for calculation of future pension. This means that not all of the general income serves as basis for the calculation.

Persons from 17 to 69 years of age may have income as mentioned above, based on employment or self-employment. The number of pension points decides the amount of additional pension received from the National Insurance Scheme.

Personal income (Personinntekt)

Personal income may consist of pay, pensions and/or personal income from active participation in business activities. National Insurance contributions and surtax are calculated in relation to personal income.

Surtax (Toppskatt)

A national income tax charged on personal income exceeding a certain amount.

Personal tax return (Selvangivelse)

The personal tax return is submitted on a yearly basis. It is a statement of your income and wealth and serves as the basis for the tax authorities' calculation of your taxes.

Business enterprise return (Selvangivelse for næringsdrivende)

The business enterprise return is the company's statement of profit and loss in the last financial year. For sole proprietors, the business enterprise statement is the basis for calculation of the personal income of the owner, regardless of actual withdrawals from the company. For sole proprietors the business enterprise return covers all aspects necessary to calculate the taxes for the owner.

National Insurance contributions (Trygdeavgift)

The contributions to the financing of the National Insurance scheme are calculated on the basis of personal income. Different rates apply for pensions, pay, and personal income from self-employment.

Organizations - Registers

Central Coordinating Register for Legal Entities (Enhetsregisteret)

The Central Coordinating Register for Legal Entities registers basic data about legal entities to coordinate information on business and industry that resides in various public registers.
(www.brreg.no/english/registers/entities/)

Register of Business Enterprises (Foretaksregisteret)

The Register of Business Enterprises registers all Norwegian and foreign business enterprises in Norway.
(www.brreg.no/english/registers/business/)

VAT Register (Merverdiavgiftsregisteret)

A register of all VAT eligible entities. The register is maintained by the tax authorities.

Personal and organizational Identity

Personal identity number (Fødselsnummer)

All persons registered as resident in Norway are allocated an eleven-digit personal identity number. The first six digits show the date of birth. The next three digits are individual identification numbers. They distinguish between persons born on the same date, indicate the century in which the person was born and the sex of the person. The last two digits are control digits.

D-number

The D-number is a substitute for the personal identity number held by all Norwegian citizens. The number is necessary for all foreign persons holding positions in enterprises registered in Norway. If a D-number has not been allocated, the Central Coordinating Register for Legal Entities will requisition one from the Norwegian National Census Register (Sentral-kontoret for folkeregistrering).

Organization number (Organisasjonsnummer)

Nine-digit number used to identify companies, other legal persons and sole proprietorships. Organization numbers are allocated by the

Central Coordinating Register of Legal Entities (Enhetsregisteret).

Who can tell...

The following gives you references to organizations/offices that will answer questions on the listed matters.

Question concerning	Where
Illness benefits of the National insurance scheme (Sykepengeordningen I folketrygden)	The local NAV office
The Working Environment Act (Arbeidsmiljøloven)	The regional office of the Norwegian Labour Inspection Authority
The Labour Dispute Act (Arbeidstvistloven)	The Working Environment and Safety Department of the Ministry of Labour and Social Inclusion The Labour Court - in case of legal dispute The State Mediator - in case of conflict of interests
The Annual Holidays Act (Ferielloven)	The regional office of the Norwegian Labour Inspection Authority
The Guaranteed Wages Act (Lønnsgarantiloven)	The Directorate of the Labour Inspection Authority
Temporary Layoff (Permitteringer)	The local NAV office
Occupational Injury (Yrkeskade)	Insurance companies The Occupational Injury Insurance Association (Yrkes-skadeforsikringsforeningen)
Social benefits and questions related to social security insurance	The local NAV office
The Payroll Tax / Employers Contribution	The Tax Office
Taxation	The Tax Office
Questions related to business or earning of wages	The Tax Office
Questions related to payment of advance tax and payroll tax	The Chief Municipal Treasurer (Kommunekassereren)
VAT	The Tax Office