

# NARRATIVE REPORT ON NORWAY



## PART 1: NARRATIVE REPORT

### Overview and background

Norway is ranked forty fifth in our 2018 Financial Secrecy Index. This ranking is based on a combination of its secrecy score and a scale weighting based on its share of the global market for offshore financial services.

Norway has been assessed with 52 secrecy points out of a potential 100, which places it in the lower mid-range of the secrecy scale (see chart 1).

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

### Telling the Story

With a secrecy score as low as 52, Norway cannot be considered as a haven for secrecy. Indeed, over the last ten years, Norway has at several instances been a leading critic and opponent of financial secrecy and illicit cross-border flows. The official Norwegian report [Tax Havens and Development](#)<sup>1</sup> (2009) was important as an early contribution to making the fight against financial secrecy a policy issue for OECD country. However, this has been less of a policy priority for the current government that took office in 2013. Norway has conducted few substantial reforms since the last published FSI in 2015 that affects its ranking on the FSI2018.

Norway does have some tax and secrecy loopholes. This is particularly relevant to Norway's shipping industry. Recent media articles have revealed several cases highlighting the Norwegian economy's close [links to secrecy jurisdictions](#)<sup>2</sup> (and also [exposing sums](#)<sup>3</sup> lost to Norway as a result of tax dodging.) This has been particularly highlighted through vanguard [research](#)<sup>4</sup> on the use of tax havens by Norwegian economist Annette Alstadsæther together with Gabriel Zucman and Niels Johannesen. In 2017 they published research that estimated that the top 0.01 percent wealthiest in Scandinavian countries evade about 30 percent of their personal tax burden by hiding their wealth offshore. The research was made possible by combining the unique data material in the HSBC leaks and Panama Papers, with data from the tax authorities in Scandinavian countries<sup>5</sup>.

Foreign investors are investing anonymously in Norwegian companies on a large scale. Foreign owners can buy stocks via "nominee accounts", operated by banks in i.e. Luxembourg and Switzerland.

### Special Tax Regimes: Shipping and Svalbard

Shipping is historically an important economic sector for Norway, but for many years the majority of vessels owned by Norwegian-owned companies sailed under the flags of other countries. Today, Norway's shipping industry pays no taxes on profits: they only pay a small tax on tonnage. This policy was [introduced](#)<sup>6</sup> in 2007 in order to attract ships back to the Norwegian flag, amid fierce tax 'competition' from countries in the EU, the Bahamas, Bermuda and other 'flag of convenience' jurisdictions.

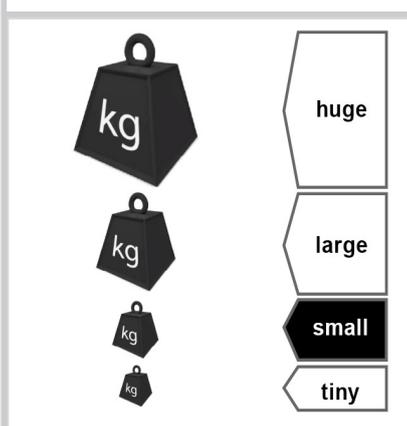
Rank: 45

Chart 1 - How Secretive?

52  
Secrecy Score



Chart 2 - How Big?



Norway accounts for less than 1 per cent of the global market for offshore financial services, making it a small player compared with other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Full data on Norway is available here: [www.financialsecrecyindex.com/database](http://www.financialsecrecyindex.com/database).

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Norway has its own low-tax jurisdiction, the [Svalbard archipelago](#)<sup>7</sup>, which lies far to the North in the Arctic Sea. Businesses on the islands pay a corporate income tax rate of 16 percent, quite a bit lower than the 23 percent on the mainland. Some businesses have exploited this opportunity by setting up an office with one employee, and routing profits through there. However, the Ministry of Finance closed the loophole in 2011 by imposing the mainland tax rate on profits exceeding 15 million kroner. This is now a minor issue.

### **Norwegian Sovereign Wealth Fund**

The [Norwegian Sovereign Wealth Fund](#)<sup>8</sup> is amongst the largest in the world, with assets of more than \$1000 bn. After years of pressure from civil society organizations, the Fund decided in 2017 to shut down its office in Luxembourg, that was responsible for global real estate investments, and move operations back to Norway. It also published a new policy on “Tax and Transparency”<sup>9</sup>, which states amongst other things that the Fund expects the companies they invest in to publish country-by-country reports.

### **Ownership transparency**

In 2015, a wide variety of actors engaged in a public debate about beneficial ownership disclosure. This debate led to the Norwegian Parliament voting unanimously on the 5th of June 2015 to implement a beneficial ownership (BO) registry. A proposal for a BO registry was presented by a government-appointed commission in 2017.<sup>10</sup> This was criticized by transparency campaigners as a very weak proposal, since the registry would not be open to the public, it would not include listed companies and nominee accounts, and it would register only very large shareholders.<sup>11</sup>

### **Company transparency - Public country by country reporting (CBCR)<sup>12</sup>**

From 31 December 2017 multinationals in Norway will be reporting country by country reports, as Norway has implemented the OECD BEPS agreement.<sup>13</sup> During negotiations in Parliament on this implementation, the Norwegian Parliament voted to demand that any companies subject to this law would also be required to make this information publicly available. The Norwegian Parliament has also asked the government to push for the OECD to make public country by country reporting the standard for all sectors.<sup>14</sup> However, the vote by parliament to make information publicly available has not yet been followed up by the Norwegian government.

In 2014, Norway introduced limited country by country reporting for the extractives and logging industries, but civil society organisations argued that this reporting regime was ineffective and had several clear loopholes.<sup>15</sup> One important loophole was the fact that corporations were only required to report on their activities in countries where they engage in physical extraction of natural resources, and thus corporations can avoid reporting on their activities in tax havens.

In December 2016, the government published a revised directive on the country by country reporting requirement of extractives and logging companies.<sup>16</sup> This strengthened the accounting requirements on several points, notably that, as a general rule, information in the reports should now come from audited annual accounts. However, the directive has still been formulated in a way that allows companies to avoid publishing figures on its activities in jurisdictions where no resource extraction is taking place, including tax havens.<sup>17</sup>

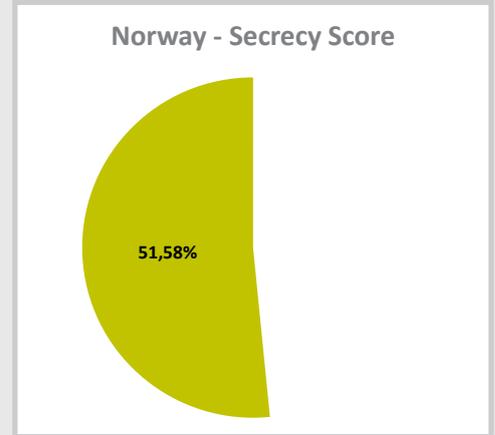
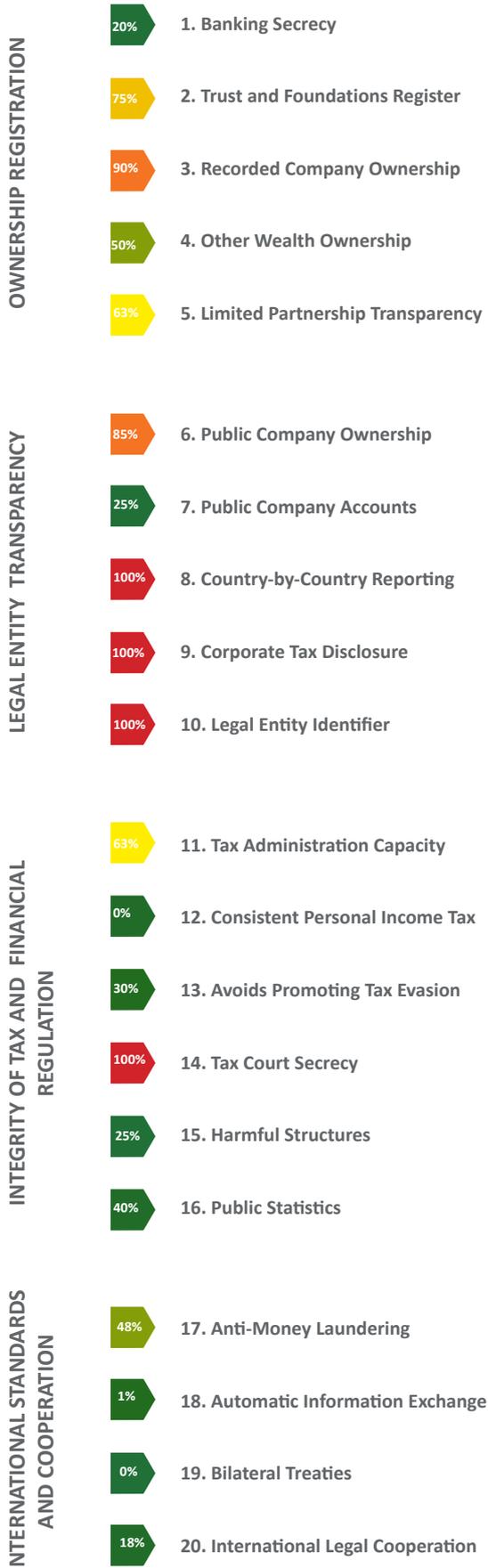
Following an evaluation of the CBCR regime in 2017, the Norwegian government is expected to consider expanding the scope of companies obliged to publish country-by-country reports in 2018.

*With thanks to Sigrid Jacobsen and Peter Ringstad, [Tax Justice Network - Norway](#), for their major input into this report.*

## Endnotes:

- 1 <http://www.oecd.org/site/de-vaeo10/44276169.pdf>; 31.1.2018.
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- 3 [https://www.forskingsradet.no/en/News-article/Tax\\_havens\\_Heaven\\_or\\_hell/1253997899603](https://www.forskingsradet.no/en/News-article/Tax_havens_Heaven_or_hell/1253997899603); 31.1.2018.
- 4 <https://pdfs.semanticscholar.org/9d6c/6bed-6d99c4d1bea61def204b135f6ea6134a.pdf>; 31.1.2018.
- 5 [https://www.washingtonpost.com/news/wonk/wp/2017/06/01/researchers-are-figuring-out-just-how-much-wealth-the-super-rich-are-hiding-over-seas/?utm\\_term=.939584cbdeaa](https://www.washingtonpost.com/news/wonk/wp/2017/06/01/researchers-are-figuring-out-just-how-much-wealth-the-super-rich-are-hiding-over-seas/?utm_term=.939584cbdeaa); 31.1.2018.
- 6 <https://www.sdir.no/en/shipping/registration-of-commercial-vessels-in-nisnor/new-registration-nis/norwegian-tonnage-tax-regime/>; 31.1.2018.
- 7 <https://en.wikipedia.org/wiki/File:Europe-Svalbard.svg>; 31.01.02018.
- 8 <https://www.nbim.no/en/>; 31.1.2018.
- 9 <https://www.nbim.no/en/responsibility/risk-management/tax-and-transparency/>; 31.1.2018.
- 10 Regjeringen.no, 'Ny lovgivning om tiltak mot hvitvasking og terrorfinansiering II', 2016, accessed 2 November 2017, <https://www.regjeringen.no/no/dokumenter/nou-2016-27/id2523704/sec17>; 31.1.2018.
- 11 Tax Justice Norway, 'Svakt forslag til norsk eierregister', 23 March 2017, accessed 17 November 2017, <http://taxjustice.no/ressurser/svakt-forslag-til-norsk-eierregister>; 31.1.2018.
- 12 *This section was first written by TJNN for EURO-DADs report "Tax Games: The Race to the Bottom", and is a slightly edited version of the text on CBCR found in the chapter on Norway.*
- 13 Lovdata, 'Forskrift om land-for-land-rapportering til skattemyndighetene', 16 December 2016, accessed 17 November 2017, <https://lovdata.no/dokument/SF/forskrift/2016-12-09-1563>; see also Thomson Reuters, 'Norway Implements Country-by-Country Reporting Requirements', 12 December 2016, accessed 2 November 2017, <https://tax.thomsonreuters.com/blog/checkpoint/Norway-Implements-Country-by-Country-Reporting-Requirements>; 31.1.2018.
- 14 Stortinget, 'Innstilling fra finanskomiteen om endringer i ligningsloven (land-for-land-rapportering til skattemyndighetene)', (Chapter 14, II, B., I), <https://www.stortinget.no/no/Saker-og-publikasjoner/Publikasjoner/Innstillinger/Stortinget/2016-2017/inns-201617-042l/?all=true#m14>; 31.1.2018.
- 15 Lovdata, 'Forskrift om land-for-land-rapportering', 7 January 2014, accessed 17 November 2017, <https://lovdata.no/dokument/SF/forskrift/2013-12-20-1682>; see also Publish What You Pay Norway, 'What Statoil reported and what Statoil should have reported', June 2016, accessed 2 November 2017, [http://www.publishwhatyoupay.no/sites/all/files/PWYP\\_Briefing\\_As\\_Is\\_vs\\_Should\\_Have\\_Eng\\_Web\\_0.pdf](http://www.publishwhatyoupay.no/sites/all/files/PWYP_Briefing_As_Is_vs_Should_Have_Eng_Web_0.pdf); 31.1.2018.
- 16 Regjeringen.no, 'Endringer i forskrift om land-for-land-rapportering', 22 December 2016, accessed 2 November 2017, <https://www.regjeringen.no/no/aktuelt/endringer-i-forskrift-om-land-for-land-rapportering/id2525537/>; 31.1.2018.
- 17 Regjeringen.no, 'Endringer i forskrift om land-for-land-rapportering', 22 December 2016, accessed 2 November 2017, <https://www.regjeringen.no/no/aktuelt/endringer-i-forskrift-om-land-for-land-rapportering/id2525537/>; 31.1.2018.

## PART 2: NORWAY'S SECRECY SCORE



### Notes and Sources

The ranking is based on a combination of its secrecy score and scale weighting (click [here](#) to see our full methodology).

The secrecy score of 52 per cent has been computed as the average score of 20 Key Financial Secrecy Indicators (KFSI), listed on the left. Each KFSI is explained in more detail by clicking on the name of the indicator.

A grey tick indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This paper draws on data sources including regulatory reports, legislation, regulation and news available as of 30.09.2017.

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To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrityindex.com>.