

Budget 2005



- key figures for the Norwegian economy
- main figures of the Fiscal Budget
- rates of direct and indirect taxes



FINANSDEPARTEMENTET

Ministry of Finance

Main figures of the Fiscal Budget and the Government Petroleum Fund, excluding borrowing and lending transactions for 2004 and 2005

(NOK billion)

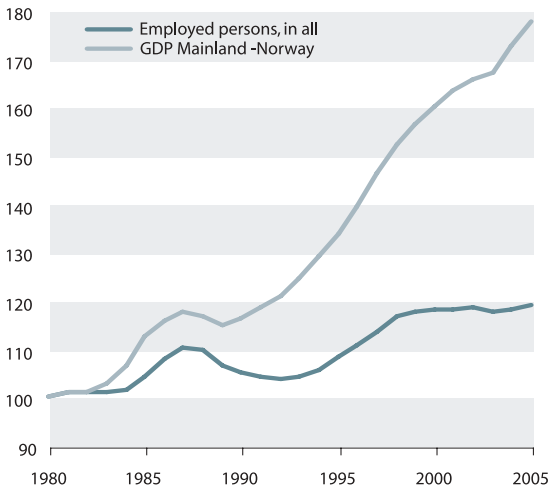
	Estimated accounts 2004	Adopted budget 2005
Overall revenue of the Fiscal Budget	752.1	785.1
Revenue from petroleum activities	228.7	227.7
Revenue excluding petroleum revenue	523.4	557.4
Overall expenditure of the Fiscal Budget	624.6	655.0
Expenditure on petroleum activities	20.5	23.2
Expenditure excluding petroleum activities	604.1	631.8
= Fiscal Budget surplus before transfers to the Government Petroleum Fund	127.6	130.1
- Net cash flow from petroleum activities	208.3	204.5
= Petroleum adjusted surplus	-80.7	-74.3
+ Transferred from the Government Petroleum Fund	80.7	74.3
= Fiscal Budget surplus	0.0	0.0
+ Net allocated to the Government Petroleum Fund	127.6	130.1
+ Fund revenue from interest and dividends	34.7	39.6
= Overall surplus of the Fiscal Budget and the Government Petroleum Fund	162.3	169.7

The borrowing and lending transactions, and financing requirements, of the Fiscal Budget for 2004 and 2005

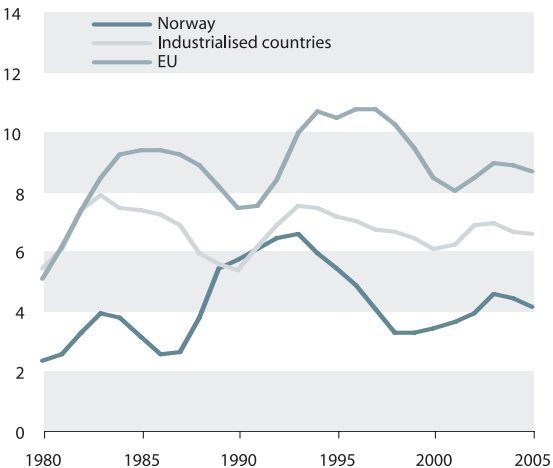
(NOK billion)

	Estimated accounts 2004	Adopted budget 2005
<i>Borrowing and lending transactions excluding petroleum activities</i>		
Lending, subscription for shares, etc.	80.3	68.8
- Repayment	83.6	53.6
- Fiscal Budget surplus	0,0	0.0
= Net financing requirements	-13.1	15.6
+ Debt instalments	47.5	0.5
= Gross financing requirements of the Fiscal Budget	44.3	16.1

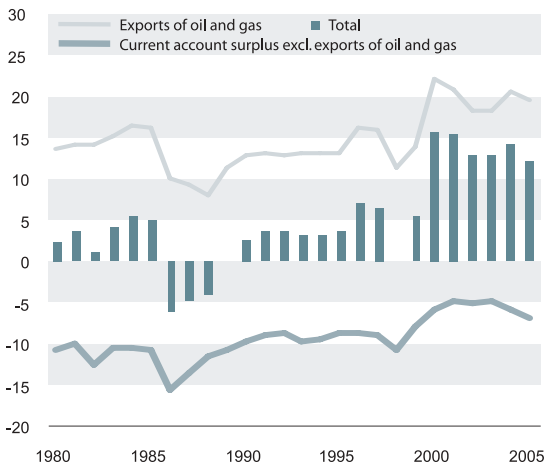
Production and employment
Index 1980 = 100



Unemployment
Per cent of labour force



Current account surplus Per cent of GDP



Consumer price index

Percentage change from same month the previous year



Fiscal Budget revenue and expenditure 2005

(NOK billion)

Fiscal Budget revenue (excl. petroleum)	557.4
Sum direct and indirect taxes from Mainland Norway	516.3
Taxes on wealth and income	128.8
Employer's and employee's social security contributions	158.5
Value added tax, etc.	149.5
Excise duties on tobacco and alcohol	17.2
Excise duties on cars, petrol, etc.	39.5
Excise duties on electricity	6.6
Customs revenue	1.3
Other indirect taxes	15.1
Revenue from government business operations	1.7
Interest and dividends	20.3
Other revenue	19.2
Fiscal Budget expenditure (excl. petroleum)	631.8
Retirement pension	83.6
Sickness allowance	29.1
Other social security payouts (social causes)	74.0
Disability and medical rehabilitation	20.5
Maternity, paternity and adoption pay	10.4
Unemployment benefit and payments relating to occupational rehabilitation	22.1
Child benefits	14.3
Grants for day nurseries	11.9
Cash benefit for parents who stay at home with young children	2.9
Labour market measures	7.5
Regional health enterprises (hospitals)	64.8
Defence	30.4
Higher education (incl. student financing)	28.6
Police and public prosecution	8.2
Transportation (including operation and maintenance of classified roads)	20.9
Agricultural Agreement	10.8
Foreign aid (ODA approved)	16.3
Settlement of refugees and measures for immigrants	5.9
Interest on government debt	16.1
Other expenditure	153.6
Petroleum adjusted surplus	-74.3
Government net cash flow from petroleum sector	204.5

Macroeconomic developments. Percentage change from previous year¹⁾²⁾

NOK Billion

2003 2003 2004 2005

	2003	2003	2004	2005
Private consumption	719.0	3.0	4.5	4.0
Public consumption	356.2	1.4	2.2	1.7
Gross fixed capital formation	271.0	-2.0	7.1	5.8
Oil activities ³⁾	63.3	16.9	9.4	13.2
Shipping	2.1	-50.7	0.9	12.3
Mainland business sector	106.6	-4.9	4.3	3.7
- Of which: Manufacturing industry and mining	18.6	-16.6	5.1	-3.1
Residential construction	53.9	-5.3	10.3	4.8
Public sector	47.1	9.2	3.2	0.3
Final demand from Mainland Norway (excl. changes in stocks)	1 282.8	1.6	4.1	3.3
Exports	645.1	1.6	1.2	3.2
- Of which: Crude oil and natural gas	280.8	-0.6	-0.6	3.0
- Traditional goods	188.7	5.1	3.3	5.1
Imports	433.2	2.2	7.6	5.0
- Of which: Traditional goods	280.3	4.3	8.0	5.2
Gross Domestic Product	1 561.9	0.4	2.4	3.1
- Of which: Mainland Norway	1 246.1	0.7	3.2	3.1
<i>Memo:</i>				
Employment, persons	..	-0.6	0.3	0.8
Consumer price index		2.5	½	2 ⁴⁾
Consumer price index adjusted for tax changes and excluding energy products (CPI-ATE)	..	1.1	¼	1¼
Wage growth	..	4.5	¾	4
Current account surplus (NOK billion).	..	200.3	235.8	211.5
Household savings rate (per cent of disposable income)	..	10.1	6.5	6.6
Unemployment rate (LFS, per cent of labour force)	..	4.5	4.4	4.1
Gross National Income (NOK billion)	..	1 571.3	1 690.2	1 758.5

¹⁾ Percentage changes for 2003 are calculated in fixed 2002-prices, for 2004 and 2005 in fixed 2001 prices.

²⁾ Estimates from the National Budget 2005.

³⁾ Excl. services.

⁴⁾ Estimate is corrected for VAT rate changes according to the budget agreement with the Progressive Party.

Source: Statistic Norway and Ministry of Finance.

Direct Taxes and Thresholds etc for 2004 and 2005

Changes relative to 2004 in pct

2004-rules 2005-rules

Income tax rates for individual taxpayers

Central Government income surtax

Tax base: Personal income, i.e. gross labour and pension income

Tax bracket 1

Threshold, class 1 ¹	NOK 354 300	NOK 381 000	7.5
Threshold, class 2	NOK 378 600	NOK 393 700	4.0
Rate ²	13.5 pct	12.0 pct	-1.5 pct.points

	2004-rules	2005-rules	Changes relative to 2004 in pct
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Tax bracket 2

Threshold, class 1 and 2	NOK 906 900	NOK 800 000	- 11.8
Rate	19.5 pct	15.5 pct	- 4.0 pct. points

Statutory tax rates on ordinary income

Tax base: Ordinary income, i.e. labour, pension and capital income, less income tax reliefs

Standard tax rate	28.0 pct	28.0 pct	
Tax rate for Individuals in Finnmark and Northern Troms	24.5 pct	24.5 pct	

Compulsory social security contributions to the National Insurance Scheme

Employees', self-employed and pensioners' social security contribution

Wage income and income from self-employment in agriculture, forestry and fisheries	7.8 pct	7.8 pct	
Other income from self-employment			
- below 12 times the basic amount ³	10.7 pct	10.7 pct	
- above 12 times the basic amount	7.8 pct	10.7 pct	2.9 pct. points
Pension income etc.	3.0 pct	3.0 pct	
Threshold for low income	NOK 23 000	NOK 29 600	28.7
Contribution rate for low income	25.0 pct	25.0 pct	

Employers' social security contribution^{4,5}

Zone 1	14.1 pct	14.1 pct	
Zone 2	14.1 pct	14.1 pct	
Zone 3	8.3 pct	10.2 pct	1.9 pct. points
Zone 4	7.3 pct	9.5 pct	2.2 pct. points
Zone 5	0.0 pct	0.0 pct	

Supplementary employers' social security contribution on wages in excess of 16 times the basic amount of the National Insurance Scheme

Rate	12.5 pct	12.5 pct	
Threshold (16 G)	NOK 930 224	NOK 967 440	4.0

Maximum effective marginal tax rates

Ordinary income (individual taxpayers and corporations)	28.0 pct	28.0 pct	
Dividends received by individual taxpayers (as pct of distributed dividends).	28.0 pct	28.0 pct	
Wages, excl. employer's' social security contribution	55.3 pct	51.3 pct	- 4.0 pct. points
Wages, incl. employer's' social security contribution	64.7 pct	61.5 pct	- 3.2 pct. points
Income from self-employment	55.3 pct	54.2 pct	- 1.1 pct. points

Income tax allowances and tax credits

Income tax allowances are deductible in ordinary income only. Tax credits are deducted from assessed tax.

¹ The tax system operates with two classes. Most taxpayers are taxed in class 1. Single parents and married couples may be taxed in class 2 on income.

² The tax rate in tax bracket 1 is 9.5 pct for taxpayers resident of the counties of Finnmark and Northern Troms. Tax bracket 2 is also valid for residents of the counties of Finnmark and Northern Troms.

³ The average basic amount (G) of the National Insurance Scheme is NOK 58 139 in 2004 and approximately NOK 60 465 in 2005.

⁴ The employer's' social security contribution for employees who are 62 years or older is 4 pct lower than the stated rates, subject to not becoming negative.

⁵ Employers' social security contribution (in 2005) for zones 2, 3 and 4 is still based on the rates from 2003 (10.6, 6.4 and 5.1 per cent respectively) as long as the difference between the contributions according to the 2003-rates and the contribution of 14.1 per cent does not exceed NOK 270 000.

	2004-rules	2005-rules	Changes relative to 2004 in pct
<i>Standard reliefs:</i>			
Standard allowances			
Class 1	NOK 32 900	NOK 34 200	4.0
Class 2	NOK 65 800	NOK 68 400	4.0
Basic allowance in wage income			
Rate	24.0 pct	31.0 pct	7.0 pct. points
Upper threshold ⁶	NOK 47 500	NOK 57 400	20.8
Minimum pension income allowance	NOK 4 000	NOK 4 000	
Special wage income allowance⁷			
	NOK 31 800	NOK 31 800	
Basic allowance in pension income			
Rate	24.0 pct	24.0 pct	
Upper threshold	NOK 47 500	NOK 49 400	4.0
Minimum pension income allowance	NOK 4 000	NOK 4 000	
<i>Non-standard reliefs:</i>			
Parent allowance for documented expenditure on childcare			
<i>Upper threshold</i>			
One child	NOK 25 000	NOK 25 000	
Two children	NOK 30 000	NOK 30 000	
For each subsequent child	-	+ NOK 5 000	
Allowance for work related travel expenses			
Rate per km	NOK 1,40	NOK 1,40	
Allowance threshold	NOK 9 200	NOK 12 800	39.1
Maximum allowance for gifts to voluntary organisations			
	NOK 6 000	NOK 12 000	100.0
Maximum allowance for labour union fees etc. paid			
	NOK 1 800	NOK 1 800	24.1
Allowance for individuals in Finnmark and Northern Troms			
Class 1	NOK 15 000	NOK 15 000	
Class 2	NOK 30 000	NOK 30 000	
Fishermen's and seamen's allowance			
Rate	30 pct	30 pct	
Upper threshold	NOK 80 000	NOK 80 000	
Special allowance for self-employed farmers etc			
Income independent allowance	NOK 36 000	NOK 36 000	
Allowance rate above income independent allowance	19.0 pct	19.0 pct	
Maximum allowance	NOK 61 500	NOK 61 500	

⁶ Maximum basic allowance for the sum of wage and pension income is limited upwards to the maximum basic allowance in wage income, i.e. NOK 57 400.

⁷ The taxpayer will benefit from the largest of basic allowance in wage income and the special wage income allowance.

	2004-rules	2005-rules	Changes relative to 2004 in pct
Maximum allowance for premium to individual pension savings schemes (IPA)			
	NOK 40 000	NOK 40 000	
Allowance for interest expenses			
	unlimited	unlimited	
Allowance for high expenses related to sickness			
Allowance threshold ⁸	NOK 9 180	NOK 9 180	
Upper threshold	unlimited	unlimited	
Tax credits for home savings scheme for youths under the age of 34 (BSU)			
Rate of tax credit	20.0 pct	20.0 pct	
Maximum annual savings	NOK 15 000	NOK 15 000	
Maximum savings under the scheme	NOK 100 000	NOK 100 000	
<i>Special tax rules for old-age and disabled pensioners</i>			
Old age and disability allowance			
	NOK 18 360	NOK 18 360	
<i>Special tax limitation rule for low ordinary income⁹</i>			
Applicable until normal tax rules for pensioners are more favourable			
Tax rate	55.0 pct	55.0 pct	
<i>Tax free net income¹⁰</i>			
Singles	NOK 88 600	NOK 92 100	4.0
Married couples	NOK 143 800	NOK 151 000	5.0
<i>Net wealth surcharge</i>			
Rate	2.0 pct	2.0 pct	
Limit	NOK 200 000	NOK 200 000	
<i>Universal cash transfers</i>			
Transfers for dependent children (family benefit)			
	NOK 11 640	NOK 11 640	
<i>Non universal cash transfers</i>			
Additional child transfer supplement for single providers with children under 3 years ¹¹			
	NOK 7 920	NOK 7 920	
Additional transfer for children in Finnmark and Northern Troms			
	NOK 3 840	NOK 3 840	
Additional transfer for parents with children not in day-care centres. Maximum annual rate			
	NOK 43 884	NOK 43 884	
<i>The split model</i>			
Imputed rate of return			
	7.0 pct	7.0 pct	

⁸ In previous years the condition for an allowance of NOK 9180 was documented expenses of minimum NOK 6 120. From 2005 allowances for expenses below NOK 9 180 will not be given, yet verified expenses due to care of functional disabled children are not comprised by the allowance threshold of NOK 9 180.

⁹ The tax limitation rule also applies to single parents who receive transitional benefit.

¹⁰ Net income calculated as gross labour, pension and capital income, less the basic allowance (and any fishermen's or seamen's allowances and allowance for income from self-employment in agriculture). Cost of capital and interest expenses are also included. Standard allowance and old age and disability allowance are not included in the calculation.

¹¹ Applies only to single parents who receive maximum transitional benefits.

	2004-rules	2005-rules	Changes relative to 2004 in pct
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Tax rules for imputed personal income for non-professional occupations under the split model

Taxed as personal (wage) income ¹²	0 – 16 G	0 – 16 G	
	75 – 134 G	75 – 134 G	
Taxed as ordinary (capital) income	16 – 75 G	16 – 75 G	
	Over 134 G	Over 134 G	

Other rules for the calculation for imputed income

Imputed income from owner-occupied housing (incl. holiday homes)

Tax bracket 1

Threshold ¹³ for assessed value of housing	NOK 90 000	abolished
Rate	2.5 pct	

Tax bracket 2

Threshold for assessed value of housing	NOK 451 000
Rate	5.0 pct

Tax on net wealth¹⁴

	Thresholds in 2004. NOK	Thresholds in 2005. NOK	Changes in pct relative to 2004	Tax rates in 2004 and 2005
<i>Local governments</i>	0 – 120 000	0 – 151 000	25.8	0.0 pct
	120 000 and over	151 000 and over		0.7 pct
<i>Central government</i>				
Class 1	0 – 120 000	0 – 151 000	25.8	0.0 pct
	120 000 – 540 000	151 000 – 540 000		0.2 pct
	540 000 and over	540 000 and over		0.4 pct
Class 2	0 – 150 000	0 – 181 000	20.7	0.0 pct
	150 000 – 580 000	181 000 – 580 000		0.2 pct
	580 000 and over	580 000 and over		0.4 pct

Corporate taxation

Statutory corporate tax rate

	2004-rules	2005-rules
(ordinary income)	28.0 pct	28.0 pct

Depreciation rates

Group a (office equipment etc.)	30 pct	30 pct
Group b (acquired goodwill)	20 pct	20 pct
Group c (lorries, trucks, buses, vans etc.)	20 pct	20 pct
Group d (passenger cars, machinery, furniture and fixtures etc.)	20 pct	20 pct
Group e (ships, vessels, rigs etc.)	14 pct	14 pct
Group f (aircrafts)	12 pct	12 pct
Group g (structures for transmission and distribution of electric power and electro-technical equipment in hydroelectric powerplants).	5 pct	5 pct
Group h (constructions and buildings, hotels etc.) ¹⁵	4 (8) pct	4 (8) pct
Group i (commercial buildings).	2 pct	2 pct

¹² G is the basic amount of the National Insurance Scheme.

¹³ For holiday homes there was no lower threshold in tax bracket 1 in 2004.

¹⁴ Married couples will always be taxed in class 2 on wealth.

¹⁵ Buildings of a simple construction that are assumed to have a commercial service life of less than 20 years may be depreciated at a rate of 8 pct.

Indirect Tax Rates in 2004 and 2005

Category	Rate in 2004	Rate in 2005	Change in pct
<i>VAT, percent of sales value¹</i>			
Ordinary rate	24	25	1
Reduced rate	12	11	-1
Low rate	6	7	1
<i>Alcoholic beverages</i>			
Spirits and spirits-based coolers etc. above 0.7 pct.			
NOK/percent per litre	5.54	5.54	0.0
Other alcoholic beverages from 4.75 to 22 pct.			
NOK/percent per litre	3.61	3.61	0.0
Other alcoholic beverages up to 4.75 pct., NOK/litre			
a) 0.00-0.70 percentage of alcohol	1.58	1.58	0.0
b) 0.70-2.75 percentage of alcohol	2.47	2.47	0.0
c) 2.75-3.75 percentage of alcohol	9.35	9.35	0.0
d) 3.75-4.75 percentage of alcohol	16.18	16.18	0.0
<i>Tobacco</i>			
Cigars, NOK per 100 grams	177	181	2.2
Cigarettes, NOK per 100 units	177	181	2.2
Smoking tobacco, NOK per 100 grams	177	181	2.2
Snuff, NOK per 100 grams	57	58	2.2
Chewing tobacco, NOK per 100 grams	57	58	2.2
Cigarette paper, NOK per 100 units	2.70	2.76	2.2
<i>Purchase tax on vehicles</i>			
Vehicles, category a ²			
Weight tax, NOK per kg			
Initial 1 150 kg	34.00	34.75	2.2
Next 250 kg	68.00	69.50	2.2
Next 100 kg	136.01	139.00	2.2
Remainder	158.18	161.66	2.2
Piston displacement tax, NOK per cm ³			
Initial 1 200 cm ³	10.04	10.26	2.2
Next 600 cm ³	26.28	26.86	2.2
Next 400 cm ³	61.82	63.18	2.2
Remainder	77.23	78.93	2.2
Motor effect tax, NOK per kW			
Initial 65 kW	131.33	134.22	2.2
Next 25 kW	479.00	489.54	2.2
Next 40 kW	958.30	979.38	2.2
Remainder	1 621.68	1 657.36	2.2
Vehicles, category b ³ , percent of category a	20	20	-
Vehicles, category c ⁴ , percent of category a	13	13	-
Vehicles, category d ⁵ , percent of category a	55	55	-
Vehicles, category e ⁶ , percent of value	36	36	-
Vehicles, category f ⁷ , unit tax	9 029	9 228	2.2

¹ The changes in VAT rates are given in percentage points.

² Passenger cars.

³ Class 2 delivery trucks.

⁴ Motor caravans.

⁵ Dual-purpose cars with total allowed weight not exceeding 7 500 kg.

⁶ Weasels.

⁷ Motor cycles.

Category	Rate in 2004	Rate in 2005	Change in pct
Piston displacement tax, NOK per cm³			
Initial 125 cm ³	0	0	-
Next 775 cm ³	31.02	31.70	2.2
Remainder	68.00	69.50	2.2
Motor effect tax, NOK per kW			
Initial 11 kW	0	0	-
Remainder	401.81	410.65	2.2
Vehicles, category g⁸			
Weight tax, NOK per kg			
Initial 100 kg	12.73	13.01	2.2
Next 100 kg	25.45	26.01	2.2
Remaining	50.89	52.01	2.2
Piston displacement tax, NOK per cm³			
Initial 200 cm ³	2.66	2.72	2.2
Next 200 cm ³	5.30	5.42	2.2
Remainder	10.60	10.83	2.2
Motor effect tax, NOK per kW			
Initial 20 kW	33.93	34.68	2.2
Next 20 kW	67.85	69.34	2.2
Remainder	135.70	138.69	2.2
Vehicles, category h ⁹ , percent of category a	40	40	-
Vehicles, category i ¹⁰ , NOK	2 973	3 038	2.2
Vehicles category j ¹¹ , percent of value	35	35	-
Annual tax, NOK per year			
Ordinary rate	2 755	2 815	2.2
Motor cycles	1 550	1 585	2.3
Caravans	920	940	2.2
Vehicles with a total weight exceeding 3.5 tons	1 745	1 785	2.3
Tractors, mopeds, etc.	350/175	360/180	2.9/2.9
<i>Annual weight based tax, NOK per year</i>	varies	varies	2.2
<i>Re-registration tax</i>	varies	varies	2.2
Petrol, NOK per litre			
Leaded	4.80	-	-
Unleaded	3.96	-	-
Sulphur-free ¹²	-	4.03	-
Low-sulphur ¹³	-	4.07	-
Autodiesel, NOK per litre			
Low-sulphur ¹⁴	2.88	-	-
High-sulphur ¹⁵	3.23	-	-
Sulphur-free ¹⁶	-	2.92	-
Low-sulphur ¹⁷	-	2.97	-

⁸ Snow scooters.

⁹ Taxis.

¹⁰ Veteran vehicles.

¹¹ Minibuses.

¹² Petrol with a sulphur content of 10 ppm or less.

¹³ Petrol with a sulphur content between 10 and 50 ppm.

¹⁴ Autodiesel with a sulphur content of 50 ppm or less.

¹⁵ Autodiesel with a sulphur content of more than 50 ppm.

¹⁶ Autodiesel with a sulphur content 10 ppm or less.

¹⁷ Autodiesel with a sulphur content between 10 and 50 ppm.

Category	Rate in 2004	Rate in 2005	Change in pct
<i>Marine engines, NOK per HP</i>	132.00	135.00	2.3
<i>Electricity, øre per kWh</i>			
General consumption tax	9.67	9.88	2.2
Reduced rate	0.45	0.45	-
<i>Lubricating oil, NOK per litre</i>	1.59	1.62	2.2
<i>Mineral products</i>			
Base-tax on heating oil, NOK per litre	0.405	0.414	2.2
<i>CO₂-tax, ordinary rate</i>			
Petroleum activity, NOK per litre or Sm ³	0.76	0.78	2.2
Mineral oil, NOK per litre	0.51	0.52	2.2
Petrol, NOK per litre	0.76	0.78	2.2
<i>CO₂-tax, reduced rate</i>			
Mineral oil, NOK per litre	0.30	0.31	2.2
Petrol, NOK per litre	0.27	0.28	2.2
Sulphur tax, ordinary rate, NOK per litre	0.07	0.07	0.0
Sulphur tax, reduced rate, NOK per litre	0.029	0.030	3.4
<i>Waste tax</i>			
<i>Landfills, NOK per ton</i>			
Landfills – high environmental standard	400	409	2.2
Landfills – low environmental standard	522	533	2.2
Incineration plants, NOK per waste unit	varies	varies	
CO ₂ -tax on incinerated waste, NOK per ton	39.70	40.57	2.2
<i>Tax on health- and environmentally damaging chemicals</i>			
Tax on trichloreten, NOK per kg	54.51	55.71	2.2
Tax on tetrachloreten, NOK per kg	54.51	55.71	2.2
<i>Tax on greenhouse gases HFC and PFC</i>			
NOK per ton CO ₂ -equivalents	183.24	187.27	2.2
<i>Chocolate and sweets, NOK per kg</i>	15.45	15.79	2.2
<i>Non-alcoholic beverages</i>			
Finished product, NOK per litre	1.58	1.58	0.0
Concentrate (syrup), NOK per litre	9.64	9.64	0.0
Carbonate, NOK per kg	64.00	64.00	0.0
<i>Tax on beverage packaging, NOK per unit</i>			
<i>Environmental tax</i>			
a) Glass and metals	4.36	4.46	2.2
b) Plastics	2.63	2.69	2.2
c) Carton	1.09	1.11	2.2
Base-tax on disposable beverage packaging	0.89	0.91	2.2
<i>Sugar, NOK per kg</i>	5.99	6.12	2.2
<i>Document tax, percent of sales value</i>	2.5	2.5	-

Budget 2005

Ministry of Finance

Mailing address: P.O. Box 8008 Dep. 0030 Oslo

Visiting address: Akersgt. 40

Telephone: 22 24 90 90

Internet: <http://odin.dep.no/fin/>

E-mail: postmottak@finans.dep.no

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