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NORWAY – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

This guide provides an overview of relevant income tax and VAT requirements related to private individuals providing short-time accommodations in Norway.

The information in this guide is given on a general level, and there might be changes in the Norwegian legislation that yet has not been updated in this information. Further, other legislation will apply if you own the property through a company. Therefore, it is important that you make sure to confirm what rules and regulations are applicable in your specific case.

Income tax and VAT can be complex, and even small variations might alter the assessment. Compliance, filing, and payment of taxes is your responsibility.

Please note that the regulatory rules regarding short-term leases in relation to joint housing ownerships and housing cooperatives have from 1 January 2020 been revised introducing restrictions on short-term leases. In joint housing ownerships, short-term lease of the entire apartment can at the outset not exceed 90 days on an annual basis. Short-term lease is defined as a consecutive lease up to 30 days. The annual limitation of 90 days may be deviated in the articles of association set to a limit between 60 and 120 days. For housing cooperatives, the short-term lease of the entire apartment is limited to an annual lease of 30 days. The limitations do not apply if only parts of the apartment is leased out.

Please note that the information contained in this guide is limited to income taxes and VAT. Other taxes may apply to you.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions

Norwegian Tax Authority Details: For further information, please visit www.skatteetaten.no. Domestic calls: 800 80 000. Calling from abroad: +47 22 07 70 00.

Who Is Taxable

The Norwegian tax year runs from 1 January to 31 December.

If you are a Norwegian resident who is domiciled in Norway, you are liable for tax on rental

income regardless of the location of the property.

If you are not a Norwegian resident and you are domiciled outside of Norway, you are liable for tax on rental income derived from property located in Norway. Payment for services defined as closely related to the rent, like cleaning and electricity, is also treated as a part of the rental income.

Tax laws in Norway distinguish between short-term rental of your own home and rental of your own holiday home, from rental of other dwellings and holiday homes.

The level of taxation is dependent on whether your letting activity is considered a business or not.

Economic or Non-Economic Activity

Tax laws in Norway distinguish professional economic activity ("business") from private non-economic activity. The distinction is relevant both in relation to income tax and VAT. Both activities may be taxable, but the rules are different. Therefore, it is important to determine whether your rental activities are considered to be an economic activity/business or not.

"Non-economic" activity does not mean that you cannot make money from the renting. The distinction between "economic" and "non-economic" is that the first is treated as a business, while the second is a private side-activity. Separate reporting and registration requirements will apply if your leasing activities are considered a business.

The important questions to ask is whether your leasing activity:

- Is carried on at your own expense and risk;
- Has a certain scope/level of activity;
- Is likely to generate a profit over time; and
- Is meant to continue over time.

Note that there is administrative practice which implies that if you rent out 5 or more housing units, the leasing activity will in most cases be considered to qualify as a business. If you rent out less than 5 housing units, the activity may still be considered a business based on the overall concrete evaluation of the requirements above.

Repeated short-time lease usually implies a higher and more frequent level of effort by the lessor (Airbnb Host) than long-term leases, and even letting out one or two housing units can be regarded as a business if the turnover is high and the enterprise is profitable.

Non-economic Activity

This section covers situations where you rent out some property, but not to the extent that your activity is considered a business.

Income Tax

If your rental activities are not considered a business, the income will be regarded as capital income. The tax rate for capital income is 22% (2023 rate). The tax basis (the amount from which tax is calculated) depends on the classification of the property rental. The tax laws distinguish between rental of your own home/holiday home, and other dwellings/holiday homes.

Note that if you let the property via a letting agency/booking firm like Airbnb, you must pay tax on the total amount of the lease income, before deducting the fee to Airbnb.

Your Own Home or Your Own Holiday Home

If the rental income related to short-term letting of your own home exceeds NOK 10,000 per year, the exceeding amount is taxable. Short-term letting is defined as letting where each tenancy is shorter than 30 days.

There is also a separate limit of NOK 10,000 when renting out your own holiday home (regardless if it is short-term or not). Note that if you have more than one holiday home, there is a separate NOK 10 000 threshold for each, provided that you actually use both yourself as your own holiday home.

Since it is difficult to estimate the costs related to letting when the property is also used by you, a so-called standard deduction of costs is granted instead. The standard deduction is 15% of the rental income.

Example:

Rental income from holiday home or short-term letting of own home of in 2023:	NOK 25 000
- Tax free amount:	NOK 10 000
= Balance:	NOK 15 000
Taxable amount NOK 15 000 x 85%:	NOK 12 750
22% income tax:	NOK 2 805

Other Dwellings or Holiday Homes

For short-term letting of other dwellings/holiday homes that you do not live in or use yourself, the rental income will be taxable from the first krone and you are entitled to deductions of actual costs related to the letting.

For more information, please refer to [this website](#) or consult the Norwegian tax authorities.

Tax Returns

Individual taxpayers shall report the rental income in their general tax return for income and wealth. Individual taxpayer's deadline for submitting the tax return is 30 April the following year.

For further information, please consult the Norwegian tax authorities, www.skatteetaten.no.

VAT

A non-economic activity is, as a general rule, never subject to VAT.

Bookkeeping

You are not required to keep accounts for a non-economic activity, but you need to keep track of your income to be able to report the correct amount in your income tax return.

It is still recommended to store all receipts for purchases made for the past five years. The reason for this is that the Tax Office may re-classify the activity from non-economic to an economic activity. The standard deduction of 15% of the rental income (leasing of your own home/holiday home) would in this event be repealed. You will instead be able to claim deductions for actual costs and these must be documented with, receipts as proof of purchase.

Economic Activity

Income Tax

If your leasing activity is considered a business, the tax rate may be up to 50.6% (2023 rates), depending on the total amount of your income, from all sources.

The tax basis (the amount from which tax is calculated) is all rental income from the leasing out of property. All costs related to the rental income, including fees paid, maintenance and

furniture, will be deductible. Further, a reasonable compensation for the owner's activities is normally granted as a deduction.

Registration

If you are considered to carry out a business you are required to register in the Central Coordinating Register and the Business Register. The Central Coordinating Register will issue a Business Registration Number.

Please visit <https://altinn.no/en/start-and-run-business/planning-starting/> for more information.

Tax Returns

The deadline for submitting the tax return for income and wealth for businesses is 31 May of the following year.

For further information, please consult the Norwegian tax authorities, www.skatteetaten.no.

VAT

The requirement to register in the VAT register applies to businesses when the turnover exceeds NOK 50,000 over a period of 12 months.

At the outset the leasing out of real estate is exempt from VAT. Thus, even though the leasing activities are considered a business the occasional lease of your own home would normally not require the registration in the VAT register.

VAT registration is however required for businesses which lease out hotel rooms, property for camping, cottages, vacation apartment and similar holiday homes. The evaluation of whether the lease of property is considered a hotel room, vacation apartment etc. is subject to a concrete evaluation and depends on the type of activity the property is arranged for and the purpose of the lease. If the leasing is subject to VAT, the lessor (Airbnb Host) will have to calculate and collect VAT on the rent. This applies no matter whether you lease the property personally, or if the property is owned by a company and it is the company that is leasing the property to the guests. The tax rate for VAT on short-time lease of holiday cottages and vacation homes is 12%. Please note that you are entitled to deduct VAT on expenses related to the leasing business. You should seek professional assistance or contact the Tax Authorities for further guidance.

The VAT registration takes place via Norwegian Tax Administration's website:

<https://www.skatteetaten.no/en/business-and-organisation/vat-and-duties/vat/register/>

Businesses are required to estimate and pay VAT on the commission fee paid to Airbnb for the use of the platform (reverse charge rule). This applies equally to businesses which are not VAT registered. There is a threshold of NOK 2,000 (VAT excluded) within one quarter before VAT shall be estimated and paid (applies only to businesses not registered in the VAT register). Businesses not registered in the VAT register, shall file a separate reverse charge VAT return on a quarterly basis.

VAT Returns

Business registered in the VAT register are required to submit VAT returns. You normally submit the VAT return and pay in VAT every two months. When you have submitted the tax return for VAT, you will receive payment information via Altinn. You must submit a VAT return even if the turnover during the period is zero. The submissions must be made within one (1) month and ten (10) days after each two (2) month period.

If you meet certain qualifications, you may apply for submission of the VAT return on an annual basis ("annual period") rather than bi-monthly (every two months).

In order to qualify, you must:

- (1) have a turnover of less than NOK 1 million in a 12-month period;
- (2) be registered in the VAT register for at least one (1) year; and
- (3) have submitted VAT returns correctly and punctually for at least one (1) year.

The application deadline is 1 February.

Under the annual period, deadline for submission of the VAT return is 10 March.

Bookkeeping

You are required to keep records for your business activity, as well as store all receipts and invoices for income and costs for at least five years.

It is recommended to acquire a simple accounting program, or hire an accountant for assistance. The costs for this will be deductible for accounting and tax purposes.

Other Considerations

Wealth Tax

Individuals resident in Norway as well as certain legal persons such as foundations, cooperatives, savings banks and mutual insurance companies are subject to wealth tax. Wealth

tax is a tax that is assessed on the basis of your net wealth. Your net wealth determines the amount of wealth tax that is payable to your municipality and the state. The tax rate for tax year 2023 is 1% of all amounts in excess of NOK 1,700,000.¹ As a starting point the taxpayer's property will be valued at market value. For real property, however, certain standard deductions will be granted, see the Tax Administration's website:

<https://www.skatteetaten.no/person/skatt/hjelp-til-riktig-skatt/verdsettingsrabatt-ved-fastsetting-av-formue/>

Sale of Housing and Real Property

In principle, any capital gain made on the sale (or other realization) of housing and real estate is taxable and capital losses are deductible. However, there are several exceptions for the sale of your own (holiday) home provided that certain requirements concerning period of ownership and occupancy/use are met.

If the property has been owned for more than one year and used as the primary residence home for more than one of the two last years any capital gain is not taxable (losses are not deductible). Similarly, if a holiday home has been owned for at least five years and has been used as a holiday home for more than five of the eight last years, any capital gains are not subject to capital gains taxation (losses are not deductible).

You can deduct any loss on the sale of real property if any profit would have been taxable.

The tax rate for capital gains is 22% (2023 rate).

Property Value Taxation

Property tax is a municipal tax that municipalities can opt to introduce. Property tax is adopted by the municipal council and levied by the municipality's property tax office before 1 March each year. In most cases, you pay property tax in 2 – 4 installments per year along with other municipal taxes.

Municipalities that have introduced property tax can opt to use the Norwegian Tax Administration's calculated market value or their own calculation method as a basis for calculating property tax for residential properties.

The current maximum rate for the property tax is 0.7% (0.4% for residential properties and vacation properties).

¹ This tax rate is applicable for amounts exceeding NOK 1,700,000 and up to 20,000,000. The tax rate for amounts exceeding NOK 20,000,000 is 1,4 %.

Taxation Summary

The steps in determining your tax position are as follows:

1. Is your activity considered a business (based on number of housing units leased out, level of activity, level of income etc.)?
2. If “yes”:
 - a. You will have to register with the Central Coordinating Register and the Business Register;
 - b. You will be subject to bookkeeping regulations;
 - c. Income is taxable as business income (up to 50.6% depending on your other income);
 - d. Depending on the size and organization, you may be required to file annual accounts;
 - e. All costs are deductible;
 - f. You may be required to register in the VAT register and charge VAT on the lease income (all VAT from related costs are deductible in VAT return).
 - g. The part of the leasing fee paid to Airbnb as platform fee is also subject to VAT (reverse charge rule).
3. If “no”:
 - a. Income is taxable as capital income (22%) – ;
 - b. There is a standard deduction of 15% of revenue, and, hence, basis for calculation of capital income tax is 85% of all earnings above NOK 10,000.