

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 rules regarding short-term leases in relation to joint housing ownerships are being revised. The purpose of the new rules is, among other things, to restrict the maximum number of days you can lease your apartment in joint housing ownerships, to a maximum of ninety (90) days per year. For housing cooperatives, there is a proposal to extend the opportunity to let your apartment up to thirty (30) days without any obligation to seek prior acceptance from the board of the cooperative. These rules will be effective from 1 January 2020. They will not affect the tax treatment of the letting.

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

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

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 income derived directly from Norwegian property. Payment for small additional services that is 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 from private non-economic activity, in relation to income tax and VAT. Both may be taxable, but the rules are different. Therefore, it is important to determine whether your rental business is considered to be an economic activity 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.

The important questions to ask is whether your business:

- 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 also that if you rent 5 or more units, this alone will in most cases be considered to qualify as economic. If you rent less than 5 units, the activity may still be considered economic after an overall evaluation of the requirements above.

Repeated short-time lease usually implies a quite high level of effort from the lessor (Airbnb Host), and even letting out one or two housing units can be regarded as economic activity 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 business is not considered as economic activity, the income will be regarded as capital income. The tax rate for capital income is 22% per 2019. The tax basis (the amount from which tax is calculated) depends on the type of rental.

Note that if you let the property via a letting agency/booking firm like Airbnb, you must pay tax on the total amount, 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 letting 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 limit 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.

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 costs related to the letting.

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

Tax Returns

The deadline for submitting the tax return for wealth and income tax is 31 May of the following year. If the rental activity is considered to be economic, you also have to submit an income statement.

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

VAT

Non-economic activity is, as a general rule, never liable for VAT. Note however that the level of income is relevant for determining whether you are a business or not. If you do not exceed the VAT-limit of NOK 50 000, you will not be liable for VAT.

Bookkeeping

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

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 economic. If this happens, you will lose the standard deduction. You will instead be able to claim deductions for actual costs, but will have to show receipts as proof of purchase. If this happens, it is very useful to have documentation for older purchases available.

Economic Activity

Income Tax

If your leasing activity is considered economic, the tax rate may be up to 49,6%, depending on the total amount of your income, from all sources.

The tax basis (the amount from which tax is calculated) is all income from leasing out property. All costs related to the income, including fees paid, maintenance, furniture bought for the leasing area, will be deductible. Note that personal activity (for instance cleaning) is not deductible.

Registration

If you are considered to be involved in economic activity you will have to register with the Brønnøysund Register Centre (www.brreg.no) and get 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 wealth and income tax is 31 May of the following year.

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VAT

Provided that the renting activity is regarded as an economic activity, you have to register in the VAT-register when the turnover exceeds NOK 50,000 over a period of 12 months. This means that 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 apartment to the guests. The tax rate for VAT on short-time lease of holiday cottages and vacation homes is 12%.

You will also be entitled to deduct VAT on expenses related to the renting business. Note that only costs relevant for the leasing activity is deductible. For purchases partially relevant, for instance re-painting a house partially used for rentals, you get a partial deduction.

Note that the rules for VAT-deductions require some effort to understand properly. If you are uncertain, we recommend seeking assistance from a professional or the Tax Office.

The registration in the VAT Register is made to the Brønnøysund Register Centre, www.brreg.no.

VAT Returns

You normally submit the VAT return and pay in VAT every second month. 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 accounts for economic activity, as well as store all receipts and invoices for 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.

Other Considerations

Wealth Tax

Wealth tax is a tax which 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 is maximum 0,85% of the market value.

Sale of Housing and Real Property

In principle, any gain made on the sale (or other realization) of housing and real property is taxable. However, there are many exceptions to the liability to pay tax in connection with the sale of your own home/holiday home provided that certain requirements concerning period of ownership and occupancy/use are met.

If the property has been used as the primary family residence for more than one of the two previous years, or if a holiday home has been used for personal purposes for more than five of the eight previous years, any gains/losses are not included in the taxable income.

You can deduct any loss on the sale of real property if any profit would have been taxable. You should note that different requirements apply to period of ownership and occupancy/use for housing and holiday homes.

The tax rate applicable depends on the tax situation of the taxpayer but would most often be considered capital income with a rate of 22%.

Property Value Taxation

Property tax is a municipal tax that municipalities can opt to introduce. Property tax is levied by the municipality's property tax office. In most cases, you pay property tax in four instalments 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.

The maximum rate for the property value tax is 0,7%, but will be reduced to 0,5% in 2020.

Taxation Summary

The steps in determining your tax position are as follows:

1. Is your activity considered a professional business (based on number of units leased out, level of activity, level of income etc.)?
2. If "yes":
 - a. You will have to register with the Brønnøysund Register of Business;
 - b. You will be subject to bookkeeping regulations;
 - c. Income is taxable as business income (up to 49,6% 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. Liable for VAT – all VAT from related costs are deductible in VAT return.
3. If "no":
 - a. Income is taxable as capital income (22%) – There is a standard deduction of 15% of revenue;
 - b. Tax basis is 85% of all earnings above NOK 10,000.