

Reference date for all information is **July 1<sup>st</sup> 2009**

Country chapter for OECD series *Benefits and Wages* ([www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives))

## NORWAY 2009

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### Introduction

Tax-benefit policy “country chapters” are made available as part of the OECD series *Benefits and Wages*. They provide detailed descriptions of tax and benefit rules in a consistent format across countries and summarize recent policy changes.

Country chapters for other countries and years are available on the Internet at [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives).

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## 1. Overview of the tax-benefit system

In Norway, the unemployment insurance scheme is part of the National Insurance Scheme (NIS). Unemployment benefits are calculated as a percentage of previous earnings, and are taxable. The benefit period is limited to 2 years. Social economic assistance may be granted to the individual and may cover all housing costs. In most cases, the tax unit is the individual.

A crucial factor in calculating the benefits is the "basic amount" (G). The basic amount is NOK 72 881 from 1 May 2009. Even though the year's average G is not equal to G per 1 May, we use NOK 72 881 throughout this survey.

### 1.1. Average Worker wage (AW)

The estimated 2009 AW level is NOK 442381<sup>1</sup>.

## 2. Unemployment insurance

All persons who are either resident or working as employees in Norway are compulsorily insured under the National Insurance Scheme. Daily cash benefits during unemployment partially compensate loss of income due to unemployment.

The insured person must be a bona fide applicant for work (genuine job-seeker), i.e. capable of working and registered as an applicant with the labour and welfare service. He or she must also, at short notice and in any part of Norway, be available for any type of part- or full-time work or labour market measure that he/she is physically and mentally capable of doing.

The person concerned may be entitled to unemployment benefits even if he or she does not fully meet the availability requirement due to circumstances such as age, health or work of caring nature.

If a person is considered to be unemployed by his or her own choice, i.e. if he or she has given notice voluntarily, refused to take a suitable job, refused to participate in labour market measures, a prolonged waiting period may be imposed, or benefits may temporarily be suspended.

### 2.1 Conditions for receipt

A precondition for entitlement to daily cash benefits during unemployment is that the person concerned must have had an income from work of at least 1.5 times the basic amount (NOK 109 332) the preceding calendar year or an income from work which at least equals 3 times the basic amount as an average during the three preceding calendar years (NOK 218 643). The maximal benefit basis is 6 times the basic amount (NOK 437 286). Income from participation in labour market measures no longer qualifies.

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<sup>1</sup> AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration ([www.oecd.org/ctp](http://www.oecd.org/ctp)). For more information on methodology see Taxing Wages 2007-2008, OECD, 2009, part 5, sections 2 and 3.

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### 2.1.1 *Employment conditions*

The unemployed needs to be “willing to take ... any employment ... anywhere in Norway”. “Suitable” employment is offered if possible, but what is considered suitable may change in the course of a long unemployment spell. Furthermore, high regional mobility is required of jobseekers. “If warranted by age or other important social considerations related to health, responsibility for caring for small children or persons in the immediate family in need of nursing care, the member may be regarded as a “bona fide job seeker” (genuine job-seeker) even if he or she is applying for part-time work or is only seeking employment within a limited geographical area.

### 2.1.2 *Contribution conditions*

Member of the National Insurance Scheme i.e. all persons who are either resident or working as employees in Norway. The Scheme is funded by taxes and the National Budget.

## 2.2 *Calculation of benefit amount*

The calculation of daily cash benefits is based on income from work, daily cash benefits during unemployment, sickness, maternity and adoption. The calculation basis is the highest of either the income of the last preceding calendar year or the average over the last three preceding calendar years.

### 2.2.1 *Calculation of gross benefit*

The benefit rate per day is 0.24 per cent of the calculation basis and is paid five days a week. This will normally give an annual compensation of 62.4 per cent of the calculation basis. The maximal benefit basis is 6 times the basic amount (NOK NOK 437 286 in 2009). The maximum amount per week thus is NOK 5 247.

A supplement of NOK 17 per day (NOK 85 per week) is granted for each dependent child under the age of 18.

Persons who have received unemployment benefits for more than eight weeks in the preceding year are given a holiday supplement of 9.5 per cent of unemployment benefits received in the preceding year.

### 2.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

Daily cash benefits are related to the reduction in working hours per week. Working hours must have been reduced by at least 50 per cent as compared to previous working hours, or by at least 40 per cent during lay off-periods.

## 2.3 *Tax treatment of benefit and interaction with other benefits*

Taxable as personal income, see section 10.1.2.

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#### **2.4**      *Benefit duration and waiting periods*

Unemployment benefit is payable for five days a week and is granted if the person concerned has been unemployed three of the last fifteen working days while being registered at the employment office as a bona-fide applicant for work.

The benefit period varies depending on earlier income from work. Income from work amounting to at least twice the basic amount gives a benefit period of 104 weeks (2 years). Income amounting to less than twice the basic amount gives a period of 52 weeks (1 year).

When the initial period expires, a subsequent benefit period may only be granted provided that the requirement concerning previous income from work is met (see section 2.1). (The maximum benefit period is 52 weeks. After this period it is not possible to obtain a new unemployment benefit period at once, unless the claimant has worked and thus obtained a minimum income of at least 1.5 times the basic amount. Then he or she is entitled to a new period of unemployment benefits). If the person concerned lacks other income or benefits, he or she is entitled to social assistance.

#### **2.5**      *Treatment of particular groups*

##### *2.5.1*      *Young persons*

No special treatment.

##### *2.5.2*      *Older workers*

Persons above the age of 64 are guaranteed three times the basic amount, and their benefits are paid indefinitely until the age of 67. Above the age of 64, self-employed persons are also entitled to unemployment benefits.

##### *2.5.3*      *Others if applicable*

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### **3. Unemployment assistance**

Up to July 2008, a so-called “waiting benefit” (ventestønad) was paid to long-term unemployed persons. The “waiting benefit” was paid if the claimant had worked at least three years during the past four years, and had exceeded the period of entitlement to unemployment insurance benefits, but had no maximum duration. However, the benefit was intended to be temporary while waiting for suitable labour market measures or work. In 2007, there were on average 1 900 waiting-benefit recipients in total. The “waiting benefit” was terminated from July 2008 onwards.

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#### **4. Social assistance**

Social Economic Assistance (SEA) is complementary to all other subsistence allowances and is provided as a last resort assistance (safety net). Municipalities are responsible for providing SEA.

There is no age condition. In practice, however, allowance is seldom given individually to children under 18 years of age due to the parents' responsibility for fostering their children according to the Children Act. Benefit amount varies due to the type of household/ family and the age of dependent children, see 4.2 below.

##### **4.1 Conditions for receipt**

SEA is a means-tested benefit. Only residents in Norway are entitled to SEA. The assistance may be conditional. As a basic guideline, the conditions cannot be an unreasonable burden to the claimant. The terms have to be linked to the claimant's need for help, and have the purpose of making him or her self-reliant.

Examples of conditions: if unemployed, the claimant must register as a job-seeker at the local welfare administration (NAV office) and actively search for a job, participate in labour market training courses, participate in a qualification programme etc. Another requirement may be that the claimant has to work for the municipality.

The consequence if the beneficiary does not comply with the conditions is not regulated by law. In principle, the benefit is to be withdrawn, partially or completely.

The SEA is a "top-up" benefit. The SEA may be granted in addition to all forms of income and income support: salary from work, benefits from the National Insurance Scheme (unemployment benefit, disability benefits, old age pension etc.), the Family Allowance Scheme and the Scheme for Cash Benefit for Families with Small Children, Housing allowances provided by the Housing Support Scheme etc.

In 2008, approximately 39 per cent of the recipients of SEA received this benefit in addition to benefits from the National Insurance Scheme (Statistics Norway). Compared to all persons receiving a national insurance benefit the number of beneficiaries receiving supplementary SEA is however relatively low.

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##### **4.2 Calculation of benefit amount**

The benefit unit is always the individual, but the resource unit is the dependent family. SEA is granted according to the local social workers' discretion. The Ministry of Labour and Social Inclusion sets governmental guidelines on reasonable amounts. The guidelines were adjusted in accordance with the rise in consumer prices and in addition with 5 percent above the rise in consumer prices in 2009. The municipalities also set local guidelines. In this report, the data for subsistence allowance is based on the governmental guidelines, while the housing allowance data is based on the guidelines of the municipality of Trondheim.

###### **4.2.1 Calculation of gross benefit**

###### **Guidelines for subsistence allowance**

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Household type; NOK/month	2009
Single person	5 105
Couples (married or cohabitating)	8 479
Cohabitating, single person benefit	4 240
Children 0-5 yrs.	1 947
Children 6-10 yrs.	2 585
Children 11-17 yrs.	3 245

#### Guidelines for housing benefit (excl. heating/electricity)<sup>2</sup>

NOK/month	2009
Youth under 25 yrs. (single rooms, shared flats)	3 500
Single person over 25 yrs, no children (single-room flat)	4 400
Couple (married or cohabitating), no children (two-room flat)	6 000
Lone parent, one child (two-room flat)	6 000
Any household with two small children or one older child (three-room flat)	7 500
Any household with three children (four-room flat)	9 700

#### Estimated heating/electricity expenses per household (NOK/year)

Estimated heating/electricity expenses as a function of household income (NOK/year)	2009
Less than 200 000	10 174
200 000 - 299 999	13 648
<del>300 000 - 399 999</del>	<del>16 051</del>
<del>400 000 - 499 999</del>	<del>19 120</del>
<del>Above 500 000</del>	<del>21 466</del>

15 245 (2008-figures).

Source: Survey of Consumer Expenditure 2006-2008, Statistics Norway/

#### 4.2.1.1 Irregular additional payments [NEW ITEM]

The guidelines for subsistence allowance include the most ordinary expenses in daily life: food and drink, clothing and shoes, hygienic articles, licence for television, daily newspaper, phoning expenses, expenses related to participation in leisure activities and transportation costs. Housing costs, heating/electricity, housing insurance, furniture etc., are not included but are to be considered on a concrete and individual basis. Some municipalities, among others the municipality of Trondheim, have guidelines for housing benefit. More extraordinary expenses, such as expenses related to medical assistance, dental treatment, prescription drugs, day care for children, celebrations etc., are furthermore not included in the uniform standards. Such expenses must be evaluated dependent on the specific needs of the claimant, and vary from

<sup>2</sup> For beneficiarires of social economic assistance, the housing benefit is generally set and provided by the municipality. In the event that a beneficiary of social economic assistance is also eligible for the governmental housing benefit (as described in the Housing Benefits section), the governmental benefit is included in the above (municipal) amounts. This follows from the fact that social economic assistance is a subsidiary benefit.

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person to person. It is not possible to indicate amounts or timing of such expenses, since these expenses vary in each individual case.

#### 4.2.1.2 *Obligations of family members* [NEW ITEM]

Conditions may be set for every beneficiary of SEA, as well as the spouse or other dependent family members of the benefit claimant. See examples of conditions in section 4.1.

#### 4.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

SEA is withdrawn 100 per cent against all income.

#### 4.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

#### 4.4 *Benefit duration and waiting periods*

Intended for temporary relief only, but currently not subject to any binding time limitation. Benefit duration varies due to differences in individual needs. Recipients can re-apply for benefits once the benefit period has expired.

In 2008, social assistance recipients received benefits for 5.2 months on average. 21.5 percent of the recipients received benefits for only one month. 11 percent received social assistance during the entire year (Statistics Norway).

#### 4.5 *Treatment of particular groups*

##### 4.5.1 *Young persons*

Participation in labour market programmes is usually required.

##### 4.5.2 *Older workers*

Not applicable..

##### 4.5.3 *Others if applicable*

Not applicable.



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## 5. Housing benefits

The state housing allowance aims to secure those who have a combination of high housing costs and low income a reasonable accommodation. The allowance is offered to people living in rented and owner occupied accommodation. The benefit depends on the household's total economic resources and housing costs.

In 2009 the total payment of state housing allowance was NOK 2 701 million distributed to 136 687 households. The average yearly amount of allowance received per household was NOK 26 200, the yearly average housing costs NOK 67 600 and the average yearly income per household was NOK 129 500.

### 5.1 Conditions for receipt

The following groups were eligible for housing allowances in 2009:

The applicant must be 18 years of age or more and inscribed in the Norwegian national register and legally living in Norway. Exceptions are students and people serving the military, who have their own systems for housing support.

If there are children in the household, the applicant can be under 18 years of age or a student.

The habitation must be approved for all year use, be separate with a separate entrance, offer possibilities for resting and cooking and have separate bath and toilet.

Maximum income per year for eligible households:

- Oslo (maximum):
  - For households with one person: NOK 200 000
  - For households with two persons: NOK 223 000
  - For households with three persons: NOK 247 000
  - For households with four persons: NOK 272 000
  - For households with five persons: NOK 292 000
  
- The rest of the country:
  - For households with one person: NOK 178 000.
  - For households with two persons: NOK 200 000.
  - For households with three persons: NOK 222 000.
  - For households with four persons: NOK 245 000.
  - For households with five persons: NOK 264 000.

Between “Oslo” and “the rest of the country” there are 14 larger cities and municipalities surrounding the larger cities with high housing costs, where the limits of maximum income are in the range between Oslo and the rest of the country.

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## 5.2 Calculation of benefit amount

### 5.2.1 Calculation of benefit amount

For private housing the housing allowance is calculated as 70 per cent of the difference between the housing expenses and a "own expense". For public, rented housing provided by the municipality this rate is 80 per cent.

$$\text{Housing allowance} = 0,7 \text{ (or } 0,8) * (\text{housing expenses} - \text{own expense}).$$

The own expense is calculated on the basis of taxed income and fortune. 16 per cent of the fortune which exceeds a free amount is added to the income. For renters the free amount is NOK 250 000. For homeowners the free amount is the taxed fortune of the home up to a maximum of NOK 500 000.

The income is corrected by the number of persons living there. This is done by dividing the income by the sum of weights of the persons. The weight of the first person is one and the others have the weight 0,3.

There is a minimum housing expense of NOK 15 000 a year. For calculated incomes less than NOK 90 000 a year the own expense is equal to the minimum expense. For incomes more than NOK 90 000, 17 per cent of the income which exceeds NOK 90 000 is added to the minimum expense. For incomes more than NOK 131 000 an extra progressive part is added. It is calculated out of the total income. The rate starts at 0,3 for incomes more than NOK 131 000, and is growing by an extra 0,3 per every increase of NOK 1 000 in the income, up to the maximum levels given in table.

The income/fortune thresholds in 2009 by number of people in the household is given by: NOK 90 000/131 000 \*(the personal weight of the household).

Number of persons in the household	Standard expense/year 17% of total income in the interval	
	Income threshold 1	Income threshold 2
1	90000	131000
2	117000	170300
3	144000	209600
4	171000	248900
5	198000	288200

The maximum housing expenses, accepted for the purpose of calculating the housing allowance, are given in the table below. Between "Oslo" and "the rest of the country" there are 14 cities and municipalities where the limits of maximum housing expenses are in the range between Oslo and the rest of the country.

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Number of persons in the household	Maximum housing expenses accepted/year (in NOK)	
	Oslo	Rest of the country
One	81 000	61 000
Two	84 000	64 000
Three	87 000	67 000
Four or more	90 000	70 000

An example of the calculation of the housing allowance can be a family of four living in a private, rented dwelling in Oslo. The taxed income is NOK 230 000 a year, the taxed fortune is NOK 400 000 and the housing expenses is NOK 120 000 a year.

The calculated income will be NOK 134 473, given by  $(\text{NOK } 230\,000 \text{ (income)} + ((\text{NOK } 400\,000 - 250\,000) * 0,17) \text{ (fortune)}) / (1 + 0,3 + 0,3 + 0,3)$  (personal weights)

The own expense will be NOK 24 174, given by  $\text{NOK } 15\,000 \text{ (minimum expense)} + (\text{NOK } 134\,473 - 90\,000) * 0,17 + (\text{NOK } 134\,473 * 0,012)$

The accepted housing expenses will be NOK 90 000, which is maximum accepted expenses in Oslo for a family of four.

And the housing allowance will be NOK 46 078 a year, given by  $(\text{NOK } 90\,000 \text{ (housing expenses)} - \text{NOK } 24\,174 \text{ (own expense)}) * 0,7$

### 5.2.2 *Income and earnings disregards*

The most recent taxed income is normally used for the calculation of the allowance. Social assistance and family allowances are then not included. If the income of the household declines substantial, then the households can apply for the allowances to be calculated on current income. In this case social assistance and family allowances are included.

### 5.2.3 *Costs eligible for housing benefits*

See the above table.

### 5.3 *Tax treatment of benefit and interaction with other benefits*

Housing benefits are non-taxable.

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#### **5.4**     *Treatment of particular groups*

Housing allowances given to persons with disabilities acknowledged before the age of twenty-four are calculated more favourably.

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## **6. Family benefits**

Child benefit is the most important social security benefit for families with children.

### **6.1 Conditions for receipt**

Child benefit is paid only to families with dependent children. Each child under the age of 18 qualifies.

### **6.2 Calculation of benefit amount**

#### **6.2.1 Calculation of gross benefit**

The benefit is NOK 11 640 per dependent child per year.

An annual supplement of NOK 3 840 per child is granted for children living on Svalbard, in the county of Finnmark or in certain municipalities in the county of North Troms.

#### **6.2.1.1 Irregular additional payments [NEW ITEM]**

None.

#### **6.2.2 Income and earnings disregards**

None.

### **6.3 Tax treatment of benefit and interaction with other benefits**

Not taxable.

### **6.4 Treatment of particular groups**

#### **6.4.1 Young persons**

#### **6.4.2 Older workers**

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#### 6.4.3 *Others if applicable*

Lone parents are entitled to child benefit for one child more than they actually have (additional child benefit). This constitutes an annual supplement of NOK 11 640. The entitlement to additional child benefit expires if the lone parent gets married, has a child with a cohabitant or has lived in a marriage-like relationship in a joint household for at least 12 of the last 18 months.

An annual supplement of NOK 7 920 is granted for lone parents entitled to full transitional benefit (see section 9.2.1), independent of the actual number of children, as long as at least one child is younger than three years old.

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## 7. Childcare for pre-school children

Approximately 87 per cent of children aged 1-5 years are cared for in kindergarten, family day care or open kindergarten. 81 per cent are cared for in kindergarten, 3 per cent in family day care and 3 per cent in open kindergarten. For children aged 1-2 years the rate of provision is 75 per cent, while for children aged 3-5 years the rate of provision is 96 per cent. Compulsory schooling starts at six.

**Comment [MTS1]:** Please note that the data in this paragraph refers to 2008. Data for 2009 will not be available until March 2010.

### 7.1 Out-of-pocket childcare fees paid by parents

The upper limit on childcare fees paid by parents was set to NOK 2 330 per month from January 2009. In addition there are discounts for siblings, these amounts to a minimum of 30 per cent for the second child and 50 per cent for the third and fourth child and so forth. Parents can also receive further discounts depending on their income level.

#### Sample survey (covering 109 of the municipalities in the country)

Due to great differences in the payment systems among the municipalities the fees for children aged three or more are collected corresponding to a household total gross income of NOK 250 000, 375 000 and 500 000 . From 2007 onwards, the yearly payment figures are based on data from all municipalities.

Year	Annual payment, including food and additional costs			
	One child, income level in NOK			
Ceiling	100000(minimum fee)	250000	375000	500000(maximum fee)
2001	23163	29886	32733	33684
2002	23518	29757	32477	33323
2003		28 969	33 671	34 651
2004		26 648	30 731	31 529
2005		26 667	30 317	30 844
2006		23 076	25 129	25 742
2007		23 348	25 743	26 338
2008		24 381	26 132	26 660
2009		25 050	26 713	27 003

The table shows average annual fees for a full-time place (41 hours per week or more) in kindergarten or family day care for households in different income groups. Open kindergarten is usually free of charge.

A typical annual fee for parents with a combined income of NOK 500 000 and two children in kindergarten when taking into account the sibling discount is NOK 45 905.

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If the family can document child-care expenses for children younger than 12 years, the couple will get a deduction in ordinary income up to NOK 25 000 for one child and, from 2008, an addition of NOK 15 000 for each subsequent child. E.g. the maximum parent allowance for documented childcare costs for four children is NOK 70 000.

The allowance is divided equally between spouses, or cohabitants, unless otherwise agreed. Unused parent allowance one year cannot be carried forward to a future year. The allowance also applies to single parents.

## 7.2 *Child-care benefits*

For children aged 1 and 2 who are not in a kindergarten that receives a public grant, the parent/parents receives/receive a non-taxable cash amount of NOK 39 636 per child per year. For part-time use of public kindergarten, the cash amounts in 2009 are as described:

Up to and including 8 hours per week: 80 per cent of NOK 39 636 (31 704);  
9-16 hours a week: 60 per cent of NOK 39 636 (23 784);  
17-24 hours a week: 40 per cent of NOK 39 636 (15 852);  
25-32 hours a week: 20 per cent of NOK 39 636 (7 932);  
33 hours or more per week: nought

### 7.2.1 *Conditions for receipt*

### 7.2.2 *Calculation of benefit amount*

#### 7.2.2.1 *Calculation of gross benefit*

#### 7.2.2.2 *Income and earnings disregards*

None.

### 7.2.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

### 7.2.4 *Treatment of particular groups*



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## **8. Employment-conditional benefits**

None.

### **8.1 *Conditions for receipt***

### **8.2 *Calculation of benefit amount***

#### **8.2.1 *Calculation of gross benefit***

### **8.3 *Tax treatment of benefit and interaction with other benefits***

### **8.4 *Benefit duration***

### **8.5 *Treatment of particular group***

#### **8.5.1 *Young persons***

#### **8.5.2 *Older workers***

#### **8.5.3 *Others if applicable***

[e.g. lone parents, immigrants, part-time employees, self-employed, sick or disabled]

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## 9. Lone-parent benefits

Lone parents are entitled to National Insurance Scheme benefits: Transitional allowance, education benefits and, when required due to professional or educational qualification activities, a supplementary child care benefit.

### 9.1 Conditions for receipt

Lone parents are entitled to benefits if unmarried, divorced or separated and not living together with a person who is not the child's/children's other parent. A benefit is not granted if the single parent has had a cohabitant during 12 of the last 18 months.

As a general rule, transitional benefit may be granted until the youngest child attains the age of 8, but not for more than a total of 3 years after the youngest child is born. While undergoing education the benefit period may be prolonged by two years. For single parents with more than two children or for persons who become a single parent before attaining the age of 18, the time limitation can be prolonged by three years.

### 9.2 Calculation of benefit amount

#### 9.2.1 Calculation of gross benefit

Full transitional benefit is equivalent to 1.97 times the basic amount (see section 1 above), that is, NOK 143 575 in 2009, reduced by 40 per cent of wage and unemployment insurance exceeding one half of the basic amount, that is, NOK 36 440 in 2009.

Maximum child care benefit for lone parents in 2009:

- One child NOK 38 654.
- Two children NOK 50 436.
- At least three children NOK 57 156.

The actual benefit granted is 64 per cent of documented expenses up to these maximum benefit levels in 2009. If the single parent has income above 6 G, there is no benefit granted at all. Childcare benefit may be granted up to and including the fourth school year, but can in certain cases be granted for a longer period.

#### 9.2.1.1 Irregular additional payments [NEW ITEM]

##### Advance payments of child maintenance

The conditions for receiving advance payments are that the child

- is under the age of 18
- stays and resides in Norway
- does not live together with both parents,

and the collection of child maintenance is managed by the Norwegian Collection Agency.

Reference date for all information is July 1<sup>st</sup> 2009

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Advance payment of child maintenance is auxiliary to the absent parent's obligation to provide for her/his child. Advance payment of child maintenance is therefore made only in respect of months in which maintenance from the non-custodial parent is not paid or is paid too late. However, if the amount stipulated as support from the non-custodial parent is lower than the advance payment, the difference is always paid.

Even if child maintenance has not been stipulated, advance payments are made when

- this is due to the non-custodial parent's lacking financial ability to pay support
- paternity has not been established
- the child has been adopted by a single adoptive parent
- one of the parents is dead and the child is not entitled to a child pension from the social security system or an equivalent benefit from another state.

Before October 1<sup>st</sup> 2003, advance payments of child maintenance were made at a single rate per child regardless of financial circumstances etc. The monthly rates per child were:

<i>As from 01.01.2001</i>	<i>NOK 1 160</i>
<i>As from 01.06 2002</i>	<i>NOK 1 180</i>
<i>As from 01.06 2003</i>	<i>NOK 1 240</i>

From October 1<sup>st</sup> 2003 advance payments of child maintenance are income-tested with reference to the recipient's income. In this context income means income from gainful occupation, extra child allowance for single supporters and cash benefit paid in cases choosing other care solutions than a kindergarten ("kontantstøtte").

The income-testing means that advance payments are made with 100, 75 or 50 per cent of the full amount, or are not made at all. The maximum income for being entitled to receive advance payments, and the limit for receiving full advance payments, are both fixed amounts which apply regardless of whether the recipient is a single supporter or has a spouse/partner and regardless of the number of own children in her/his own household. Applicable limits during the period in question have been:

<b>Period</b>	<b>Limit for receiving the full rate</b>	<b>Limit for being entitled to advance payments</b>
<b>As from 01.10 2003</b>	<i>NOK 125 000</i>	<i>NOK 396 800</i>
<b>As from 01.01 2004</b>	<i>NOK 128 000</i>	<i>NOK 396 800</i>
<b>As from 01.05 2004</b>	<i>NOK 128 400</i>	<i>NOK 396 800</i>
<b>As from 01.06 2004</b>	<i>NOK 128 400</i>	<i>NOK 390 400</i>
<b>As from 01.05 2005</b>	<i>NOK 131 900</i>	<i>NOK 390 400</i>
<b>As from 01.07 2005</b>	<i>NOK 131 900</i>	<i>NOK 393 600</i>
<b>As from 01.05 2006</b>	<i>NOK 136 000</i>	<i>NOK 393 600</i>
<b>As from 01.07 2006</b>	<i>NOK 136 000</i>	<i>NOK 400 000</i>
<b>As from 01.05 2007</b>	<i>NOK 143 200</i>	<i>NOK 400 000</i>
<b>As from 01.07 2007</b>	<i>NOK 143 200</i>	<i>NOK 406 400</i>
<b>As from 01.05 2008</b>	<i>NOK 158 000</i>	<i>NOK 406 400</i>
<b>As from 01.07 2008</b>	<i>NOK 158 000</i>	<i>NOK 422 400</i>
<b>As from 01.05 2009</b>	<i>NOK 163 200</i>	<i>NOK 422 400</i>
<b>As from 01.07 2009</b>	<i>NOK 163 200</i>	<i>NOK 432 000</i>

As to the 75 percent-rate, separate limits apply for single supporters and persons living with a spouse/partner. If these limits are exceeded, advance payments will be made with 50 percent of the full rate, or, if the income exceeds the limit for being entitled to advance payments, will not be paid at all. The

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income limits for receiving the 75 per cent rate are determined as the rates for persons receiving advance payments for one child. The limits are increased by a fixed amount for each additional child.

During the period in question the applicable income limits for receiving advance payments with 75 per cent of the full rate, and the increase per additional child, have been:

Period	Limit for a person with spouse/partner	Limit for single supporters	Increased limit per additional child
As from 01.10 2003	NOK 204 000	NOK 233 100	NOK 29 200
As from 01.01 2004	NOK 208300	NOK 237 700	NOK 35 200
As from 01.06 2004	NOK 210 900	NOK 245 100	NOK 34 400
As from 01.07 2005	NOK 217 900	NOK 248 100	NOK 38 000
As from 01.07 2006	NOK 222 900	NOK 248 700	NOK 36 700
As from 01.07 2007	NOK 236 600	NOK 257 400	NOK 40 600
As from 01.07 2008	NOK 261 800	NOK 283 700	NOK 44 500
As from 01.07 2009	NOK 275 700	NOK 305 700	NOK 48 900

Payable monthly rates per child (Advance payment of child maintenance) during the period have been:

*Note: Some errors in the country chapter for 2008 are corrected in the table updated with 2009-figures.*

Period	50 % rate	75 % rate	Full rate
As from 01.10 2003	NOK 620	NOK 930	NOK 1 240
As from 01.06 2004	NOK 610	NOK 920	NOK 1 220
As from 01.07 2005	NOK 620	NOK 920	NOK 1 230
As from 01.07 2006	NOK 630	NOK 940	NOK 1 250
As from 01.07 2007	NOK 640	NOK 950	NOK 1 270
As from 01.07 2008	NOK 660	NOK 990	NOK 1 320
As from 01.07 2009	NOK 680	NOK 1010	NOK 1 350

#### 9.2.2 *Income and earnings disregards*

See above reduction of transitional allowance depending on age and income from unemployment insurance.

#### 9.3 *Tax treatment of benefit and interaction with other benefits*

The transitional allowance is taxable as pension income. The childcare benefits are not subject to taxation.

#### 9.4 *Benefit duration*

The transitional benefit is limited to a period of three years after the birth of the youngest child, but may be extended for another two years when the lone parent engages in professional qualification (in which case a contribution towards the extra cost will be added).

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**9.5**      *Treatment of particular group*

None.

9.5.1      *Young persons*

9.5.2      *Older workers*

9.5.3      *Others if applicable*

Reference date for all information is July 1<sup>st</sup> 2009

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## 10. Tax system

### 10.1 Income tax

The personal income tax has two tax bases: *personal income* and *ordinary income*. Personal income is defined as income from labour and pensions. Personal income is a gross income base from which no deductions are made. Ordinary income includes all types of taxable income from labour, pensions, business and capital. Certain costs and expenses, including interest paid on debt, are deductible in the computation of ordinary income.

Note: We understand “benefit recipients” as persons who have a public benefit as their main source of income. Parents in full-time jobs who receive family allowance, are here not regarded as benefit recipients.

#### 10.1.1 Tax allowances and credits

There are no tax allowances applicable to an AW under the central government income tax (surtax). The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 28 per cent on ordinary income, 12.55 per cent is considered to be the central government income tax.

##### 10.1.1.1 Standard allowances

- All persons older than 70 years, retirees older than 66 who receive old-age pension and disabled persons (more than 67 per cent degree of disability) are entitled to the “old age and disability allowance” of 19 368 NOK in 2008. If pension benefit is curtailed because of labour income exceeding a certain threshold (NOK 138 216 by 1<sup>st</sup> of July 2008), the old age and disability allowance is curtailed proportionally. Persons with between 50 and 67 per cent degree of disability receive half of the old age and disability allowance.
- Persons with durable (more than two years) illness or weakness who can document health care expenses (for medication, treatment or other expense due to illness) exceeding 9180 NOK can deduct (all) such expenses from ordinary income.

##### 10.1.1.2 Standard tax credits

#### 10.1.2 Income tax schedule (central government income tax)

Rate (%)	NOK
0	0 – 441 000
9.0	441 000 – 716 600
12.0	716 600 and over

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- Recipients of *old age pension*, *early retirement pension*<sup>3</sup>, *disability pension* (67 per cent or higher degree of disability) or *transitional benefit for single parents* can be taxed according to a special “tax liability limitation schedule”. According to 2009 tax rules, the tax limitation schedule sets a tax-free *net* income of NOK 109 850 for single persons and 171 500 for married couples<sup>4</sup>. The net income is calculated as gross wage, pension, income from self-employment, and capital income less *basic relief*<sup>5</sup> and other deductible expenses arisen from earning the income. Special deductions, like the old age and disability allowance, can not be subtracted. In addition, a wealth supplement is added to the income base. The wealth supplement is 1,5 per cent of net wealth exceeding NOK 200 000. The tax relief from the tax limitation schedule is gradually reduced by taxing income exceeding the tax-free net income with a rate of 55 per cent. At income levels where the tax limitation rule no longer provides lower tax, the person is taxed according to the ordinary tax rules. In 2009, the tax limitation rule provides tax exempt for single persons with a gross income below NOK 141 351 (only standard deductions and allowances). The limitation rule provides lower tax up to a gross income of NOK 234 900. For married couples where both spouses have (equal) old age pension, these thresholds are NOK 231 757 and 395 441, respectively.

### 10.1.3 State and local income taxes

The overall tax rate on ordinary income is 28 per cent. The local government (municipal and county) income tax is 15.45 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 40 800(class 1) and NOK 81 600 (class 2) in 2008. The deductions in the computation of ordinary income are:

#### 10.1.3.1 Standard reliefs

- Basic allowance: each individual receives a minimum allowance equal to 36 per cent of personal income, with a minimum of NOK 4 000 and a maximum of NOK 70 350. For wage income each individual can choose a separate allowance of NOK 31 800 instead of the basic allowance. Hence, wage earners would opt to choose this separate allowance as long as it exceeds the basic allowance to which they are entitled.

#### 10.1.3.2 Non-standard reliefs

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: Documented expenses for child care limited to:
  - maximum NOK 25 000 for one child
  - plus NOK 15 000 for each subsequent child.

The allowance applies in general to the spouse who has the highest income. Unused parent allowance may be transferred to the other spouse. The allowance is also applicable to single parents.

<sup>3</sup> So-called AFP-pension.

<sup>4</sup> It is sufficient that one spouse receives one of the approved benefits under the tax limitation schedule. Married couples' incomes are always regarded jointly under the schedule.

<sup>5</sup> For wage income 36 per cent of gross income, but minimum NOK 4000 and maximum NOK 70 3500. For pension income, 26 per cent of gross income, but minimum NOK 4000 and maximum NOK 56 100.

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- Travel expenses related to work exceeding NOK 13 700;
- Labour union fees up to NOK 3600;
- Donations to voluntary organisations up to NOK 12 000;
- Contributions to individual pension agreement schemes, maximum NOK 15 000;
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited;
- Unlimited deduction for interest payments.

The main non-standard tax credits are:

- Home savings scheme (BSU): The BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable *tax credit* of 20 per cent of annual savings up to NOK 20 000 in special accounts is granted. Total savings may not exceed NOK 150 000.

#### 10.1.4 *Limitation on total tax payable*

The total tax payable on ordinary income and net wealth may not exceed 80 per cent of ordinary income. If that is the case, the tax on net wealth will be reduced. For net wealth exceeding NOK 1 000 000, the tax levied may not be less than 0.8 per cent of the surplus net wealth.

#### 10.2 *Treatment of family income*

- The tax unit is in most cases the individual (class 1), but joint taxation (class 2) is also possible and more favourable if one of the spouses has little or no labour income. Joint taxation means that spouses' incomes are added together and taxed jointly with a double personal allowance (81 600). The joint income may also be subject to surtax. Whether class 1 or 2 is more favourable, therefore depends on both spouses' incomes. Single parents are also entitled to class 2 in the sense that they are entitled to a double personal allowance. If single parents are entitled to use the special tax limitation rule, cf. paragraph 10.1.2, this will mostly be more favourable. As the personal allowance is not included in the tax limitation rule, single parents who are taxed according to this rule can not at the same time be taxed according to class 2.
- When the tax limitation rule is in use, spouse's income is always taken into account.

#### 10.3 *Social security contributions and payroll taxes*

##### 10.3.1 *Contributions payable by employees and benefit recipients*

Employees' contributions to the National Insurance Scheme generally amount to 7.8 per cent of personal wage income. Employees do not make contributions if their wage income is less than NOK 39 600. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25 per cent of the wage income in excess of the floor. The actual contributions made



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would represent the minimum between the alternative calculation and 7.8 per cent of the total wage income.

Contributions from the self-employed are 11.0 per cent of personal income attributable to labour (7.8 per cent for the self-employed in primary industries).

#### *10.3.2 Contributions payable by employers*

Employer's social security contributions are due for all employees in both the private and the public sector. The contribution is geographically differentiated according to the municipality where the employee resides. The standard rates are 14.1, 10.6, 7.9, 6.4, 5.1 or 0 per cent of gross wages. The highest rate applies to central parts of southern Norway. Lower rates may apply under certain circumstances. The weighted average rate is approximately 12.8 per cent.

#### *10.3.3 Payroll taxes*

### **10.4 Treatment of particular group**

#### *10.4.1 Young persons*

#### *10.4.2 Older workers*

#### *10.4.3 Others if applicable*

Reference date for all information is **July 1<sup>st</sup> 2009**

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## **11. Part-time work**

### ***11.1 Special benefit rules for part-time work***

Any person works part time if he/she works less than the average working week for his/her own profession. To be eligible for an unemployment benefit, the person must have experienced at least a 50 per cent reduction in working time or at least 40 per cent reduction during lay off-periods. The unemployment benefit will cover people in proportion to the days they do not work. The benefit period is the same as that for fully unemployed people.

### ***11.2 Special tax and social security contribution rules for part-time work***

Reference date for all information is **July 1<sup>st</sup> 2009**

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## 12. Policy developments

[PLEASE INSERT]

### 12.1 Policy changes introduced during 2009

#### **Housing allowance**

A bill on improvements in the governmental housing allowance was presented to parliament in the autumn of 2008. The aim of the bill is to generate a modern and simplified system which allows for a more just and equal treatment of the recipients. The bill was approved 17 March 2009 and took effect on 1 July 2009. The conditions for receipt and maximum allowances under the new scheme are described in section 5.

#### **Qualification programme**

A Qualification Programme was introduced in November 2007 as the main instrument for activation of social assistance recipients. Participants in the Qualification Programme receive a Qualification Benefit. The Qualification Benefit corresponds to a standardised income support – twice the basic amount, about NOK 145 762 before tax per year (in 2009). Persons under 25 years of age are entitled to two thirds of this amount. It is possible to combine work and participation in the Qualification Programme. The benefit is reduced against labour income, hour by hour. [The Qualification Benefit is taxed as personal income](#)

Participants in the qualification programme are eligible for housing allowances.

### 12.2 Future policy changes announced in 2009

#### **Social Assistance**

The rates in the governmental guidelines for subsistence allowance in the Social Assistance Scheme will be adjusted as from 1<sup>th</sup> of January 2010 in accordance with the rise in consumer prices (1.8 percent).

The transitional benefit for lone-parents will be increased to an equivalent of 2 times the basic amount (see section 1 above) from the 1<sup>st</sup> of January 2010.

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## ANNEX

### DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

#### **Social security contributions to general government**

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

#### **Social security contributions paid to institutions outside general government**

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

#### **Payroll taxes**

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.

Reference date for all information is **July 1<sup>st</sup> 2009**

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