

## **NORWAY**

### **1999**

#### **1. Overview of the 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 3 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. The 1999 APW level is NOK 265 735.

#### **2. Unemployment insurance**

##### **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 1.25 times the basic amount the preceding calendar year or an income from work which at least equals the basic amount as an average during the three preceding calendar years. Income from participation in labour market measures no longer qualifies. The basic amount was NOK 46 950 from May 1999.

##### **2.2 *Calculation of benefit amount***

The calculation of daily cash benefits is based on income from work, income from job creation measures, 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. The maximum amount per week thus is NOK 3 380.

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

### 2.2.2 *Income and earnings disregards*

Daily cash benefits are related to the reduction in working hours per week. Working hours must have been reduced by at least 40 per cent as compared to previous working hours.

### 2.3 *Tax treatment of benefit*

Taxable.

### 2.4 *Benefit duration*

Daily cash benefits are payable for five days a week and are granted if the person concerned has been unemployed three of the last ten 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 156 weeks (3 years). Income amounting to less than twice the basic amount gives a period of 78 weeks (1.5 years).

When the initial period expires, a subsequent benefit period may only be granted provided that the requirement concerning previous income from work, also during the previous benefit period, is met (see 2.1). There are no special conditions concerning a subsequent benefit period.

### 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.

## 3. **Unemployment assistance**

None.

## 4. **Social assistance**

Social Economic Assistance (SEA) is an individual complementary benefit. The benefit unit is always the individual, but the resource unit is the dependent family. The Ministry of Health and Social Affairs does not set any fixed national payment rates, assistance is granted according to the

local social workers' discretion (based on national guidelines on *what kind* of expenses the beneficiary should be able to cover). Many municipalities have their own guidelines.

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

SEA is a means-tested benefit. Only legal residents in Norway are entitled to SEA. The assistance may be conditional (requirement to work for the municipality, active job search, participation in labour market training, etc.).

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

Guidelines with regard to benefit amounts may be determined locally.

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

The average maximum benefit amounts are (annual):

	NOK/annum
Average benefit, one-person households	81 500
Average benefit, lone parent with children under the age of 18	95 500
Couple without children	101 100
Couple with children under the age of 18	142 300

As there were no national guidelines in force in 1999, average social assistance payments are given for those who received assistance for all 12 months in 1999. Average payments for families according to number of children are not available.

##### **4.2.2 Income and earnings disregards**

None. SEA is withdrawn 100 per cent against all income (including family benefits).

#### **4.3 Tax treatment of benefit**

Not taxable.

#### **4.4**     *Benefit duration*

Intended for temporary relief only, but currently not subject to any binding time limitation.

#### **4.5**     *Treatment of particular groups*

##### **4.5.1**    *Young persons*

Participation in labour market programmes is usually required.

##### **4.5.2**    *Older workers*

None.

### **5.     Housing benefits**

There is a special government housing benefit - housing allowance - for persons with a combination of low income and high housing costs. The benefit depends on the household's total resources and housing costs. The average monthly amount was NOK 1 300 in 1999. The average yearly housing expenses in households receiving housing allowance was NOK 41 600 in 1999, and the average yearly income was NOK 78 600.

The following groups were eligible for the special housing benefit in 1999:

- recipients of pensions or allowances from the National Insurance Scheme (NIS) or comparable pension benefits
- recipients of Social Economic Assistance (SEA)
- elderly persons (from the age of 65)
- households with children under the age of 18

Maximum income for eligible households with children under the age of 18 and recipients of Social Economic Assistance was:

- for one-person and two-person households: NOK 133 000
- for households with at least three persons: NOK 147 000

The housing allowance is calculated as 70 per cent of the difference between the actual and a standard ("reasonable") housing expense, the standard being tabulated below. The standard is calculated on the basis of an increasing percentage above a specified income level. Also given in the table is the maximum housing expense recognised for the purpose of calculating the housing allowance.

	Maximal expense/year	Standard expense/year
<b>Households without children</b>	NOK 50 000	15 per cent of income up to NOK 65 000. 0,3 of one percentage point is added for every additional NOK 1 000 in income, <i>e.g.</i> the standard for NOK 75 000 is 18 per cent of income.
<b>Families with children:</b>		
Two persons in household	NOK 50 000	15 per cent of income up to NOK 65 000. 0,3 of one percentage point is added for every additional NOK 1 000 in income, <i>e.g.</i> the standard for NOK 85 000 is 21 per cent of income.
Three persons in household	NOK 54 500	15 per cent of income up to NOK 80 000. 0,3 of one percentage point is added for every additional NOK 1 000 in income.
At least four persons	NOK 59 000	15 per cent of income up to NOK 90 000. 0,3 of one percentage point is added for every additional NOK

## 6. Family benefits

### 6.1 Conditions for receipt

Family benefits are paid only to families with dependent children. Each child aged 16 or under qualifies.

### 6.2 Calculation of benefit amount

Child benefits increase with the number of children.

#### 6.2.1 Calculation of gross benefit

Children	Amounts per child
----------	-------------------

	(NOK per year)
1st	11 110
2nd	11 110
3rd	13 090
4th and subsequent child	13 090

Lone parents receive benefits for one child more than the actual number.

An annual supplement of NOK 7 880 per year is granted for children under 3 years of age in addition to the ordinary rates.

#### 6.2.2 *Income and earnings disregards*

None.

#### 6.3 *Tax treatment of benefit*

Family benefits are not taxable.

#### 6.4 *Treatment of particular groups*

None.

### 7. **Child-care benefits**

See 10.1.1

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

None.

### 9. **Lone parent benefits**

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

Scheme changed from 01.01.1998; gradually implemented over an interim period of 3 years - i.e. fully implemented from 01.01.2001.

#### 9.1 *Conditions for receipt*

For a person divorcing or separating, a child below 8 years of age entitles to the transitional allowance.

## **9.2 Calculation of benefit amount**

### **9.2.1 Calculation of gross benefit**

1.85 times the basic amount (cf. 2.1, above: NOK 46 950), that is, NOK 86 850 in 1999, reduced by 40 per cent of wage and UI earnings exceeding one half of the basic amount (NOK 46 950), that is, NOK 23 475 in 1999.

In 1999 the maximum child care benefit was:

- One child NOK 28 300
- Two children NOK 36 900
- At least three children NOK 41 800

The actual benefit granted is 70 per cent of documented expenses up to these maximum benefit levels.

### **9.2.2 Income and earnings disregards**

See above reduction of transitional allowance depending on age and UI income.

## **9.3 Tax treatment of benefit**

Taxable.

## **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).

## **9.5 Treatment of particular groups**

None.

## **10. Tax system**

Both central and local government taxes are payable.

## **10.1 Income tax rate schedule**

### *10.1.1 Tax allowances and credits*

Tax allowances/credits (ordinary income):

- For tax on ordinary income a flat allowance exists depending on the marriage status (NOK 26 300 class 1, NOK 52 600 class 2).
- Basic relief of 21 per cent of personal income, relief bound by a minimum of NOK 3 900 and a maximum of NOK 34 900.
- If the family can provide evidence of child-care expenses for children younger than 12 years the couple will get a deduction up to NOK 25 000 for one child and NOK 30 000 for two or more children. The allowance applied to the spouse with the lowest income; the allowance applies also to lone parents.
- Refundable tax credit for dependent children: NOK 1 820 if aged under 16, NOK 2 540 if aged between 16 and 18.

Lone parents receiving the transitional benefit only (and pensioners receiving the comparable benefit) are exempt from taxation, the ceiling being NOK 90886. When additional income results in the ceiling being exceeded, a special "tax liability limitation schedule" applies.

Note: a tax credit stimulating house purchase exists.

### *10.1.2 The definition of taxable income*

Two distinct tax bases exist:

- personal income, income from work and/or pensions with no deductions, social security tax and surtax are levied on personal income;
- ordinary income, taxable income of all type after deductions.

Central government tax is levied on both personal income and ordinary income, local tax on ordinary income.

### *10.1.3 The tax schedule*

Local tax (country and municipality) is levied on ordinary income. It is calculated as 18.1 per cent of taxable income. Central government tax is levied on ordinary income. It is calculated as 9.9 per cent of taxable income. The total of local and central government tax on ordinary income and net wealth may not exceed 80 per cent of ordinary income.

Central government surtax is levied on personal income. The surtax is a progressive tax with two brackets. Two classes exist, one for individuals (class 1) and one for families (class 2).

Class 1 (NOK per year)	Class 2 (NOK per year)	Rate (%)
Up to 269 100	Up to 318 600	0
269 100 +	318 600 +	13.5

## **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 the spouse has little or no own income.

## **10.3 Social security contribution schedule**

Contributions amount to 7.8 per cent of personal wage income, and 3.0 per cent of lone-parent transitional allowance and pension income, respectively. Income below NOK 21 400 does not pay SS contributions. From this quantity, the contributions are calculated as the minimum between 7.8% of personal income and 25% of the income exceeding NOK 21 400.

## **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 40 per cent reduction in working time. 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**

None.

## **12. Policy developments**

### **12.1 Policy changes introduced in the last year**

None.

### **12.2 Policy changes announced**

None.

## NORWAY

### The annual tax/benefit position of an unemployed single person 1999

(in Norwegian kroner)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	165 819	
<b>Total taxable benefits</b>	<b>165 819</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	61 122	
Taxable income	104 697	
Central government income tax	10 365	
Tax credits (children – refundable)	0	
Local taxes	18 950	
Social security contributions	12 934	
<b>Total income tax and social security contributions</b>	<b>42 249</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		57 881
Housing benefits		23 619
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>0</b>	<b>81 500</b>
<b>D. Net income out of work (A-B+C)</b>	<b>123 570</b>	<b>81 500</b>
<b>E. Net income in work</b>	<b>187 738</b>	<b>187 738</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>66</b>	<b>43</b>

## NORWAY

### The annual tax/benefit position of an unemployed married couple with two children (6 and 4 years old)

1999

(in Norwegian kroner)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	174 659	
<b>Total taxable benefits</b>	<b>174 659</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	112 500	
Taxable income	62 159	
Central government income tax	6 154	
Tax credits (children – refundable)	3 640	3 640
Local taxes	7 611	-3 640
Social security contributions	13 623	
<b>Total income tax and social security contributions</b>	<b>27 388</b>	<b>-3 640</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	112 010
Housing benefits	0	4 430
<b>Non-means tested benefits</b>		
Family benefits	22 220	22 220
<b>Total non-taxable benefits</b>	<b>22 220</b>	<b>138 660</b>
<b>D. Net income out of work (A-B+C)</b>	<b>169 491</b>	<b>142 300</b>
<b>E. Net income in work</b>	<b>227 962</b>	<b>227 962</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>74</b>	<b>62</b>

## NORWAY

### The annual tax/benefit position of a lone parent with two children (6 and 4 years old)

1999

(in Norwegian kroner)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Lone parent benefit	26 377	96 240
<b>Non-means tested benefits</b>		
Unemployment insurance	174 659	0
<b>Total taxable benefits</b>	<b>201 036</b>	<b>96 240</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	112 500	97 810
Taxable income	88 535	0
Central government income tax	8 765	0
Tax credits (children - refundable)	3 640	3 640
Local taxes	12 385	- 3640
Social security contributions	14 415	2 887
<b>Total income tax and social security contributions</b>	<b>35 565</b>	<b>- 753</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	0*
Housing benefits	0	6 577
<b>Non-means tested benefits</b>		
Family benefits	35 310	35 310
<b>Total non-taxable benefits</b>	<b>35 310</b>	<b>41 887</b>
<b>D. Net income out of work (A-B+C)</b>	<b>200 781</b>	<b>138 879</b>
<b>E. Net income in work</b>	<b>241 052</b>	<b>241 052</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>83</b>	<b>58</b>

\* This paradoxical result happens because SA is withdrawn 100% against all income (see 4.2.2).