

## **NORWAY**

### **1997**

#### **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 assistance is granted to the individual; it can cover all housing costs. Families with dependent children can receive child benefits, with an extra amount for single parent families. In most cases, the tax unit is the individual. The 1997 APW level is NOK 238700.

#### **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. The basic amount was NOK 42 500 from May 1997.

##### **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 is thus NOK 510.

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 is met. Income from participation in labour market measures no longer qualifies.

### 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. Elderly unemployed persons may receive unemployment benefits from the age of 61.

### 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
Single	61 000
Couple plus two children	110 000

##### **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**

Indefinite.

#### **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 for persons with a combination of low income and high housing costs. Eligible for this benefit are pensioners and families with dependent children. The benefit depends on the household's total resources and housing costs; the average monthly amount was NOK 1 100 in 1997. The average yearly housing expenses in households with housing benefits was NOK 35 100 in 1997, and the average yearly income was NOK 71 700.

### **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	11 112
2nd	11 628
3rd	13 092
4th	13 740
5th and subsequent child	14 136

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

An annual supplement of NOK 7 884 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 (TA).

**9.1**     *Conditions for receipt*

A child below 10 years of age entitles to TA; the claimant has to satisfy an income-test.

**9.2**     *Calculation of benefit amount*

**9.2.1**    *Calculation of gross benefit*

NOK 69 360 per annum.

**9.2.2**    *Income and earnings disregards*

None.

**9.3**     *Tax treatment of benefit*

Taxable.

**9.4**     *Benefit duration*

As long as eligibility criteria are met.

## **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 24 100 class 1, NOK 48 200 class 2).
- Basic relief of 20 per cent of personal income, relief bound by a minimum of NOK 3 700 and a maximum of NOK 31 300.
- Parent allowance, 43 per cent or 53 per cent of ordinary income, when one or two children under 12, respectively, bound by maxima of NOK 4 000 and NOK 5 100. 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 20 000 for one child and NOK 23 900 for two 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.

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 18.25 per cent of taxable income. Central government tax is levied on ordinary income. It is calculated as 9.75 per cent of taxable income. The total of local and central government tax on ordinary income and net wealth may not exceed 65 per cent of ordinary income.

Central government surtax is levied on personal income. The surtax is a progressive tax with three 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 233 000	Up to 282 500	0
233 000 - 262 500	282 500 - 294 000	9.5
262 500 +	294 000 +	13.7

### 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 income.

## 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.

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### The annual tax/benefit position of an unemployed single person, 1997 (Krone)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	148 949	
<b>Total taxable benefits</b>	<b>148 949</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Tax allowances	53 890	
Taxable income	95 059	
Income tax	0	
Tax credits	0	
Central government and local taxes	26 617	
Social security contributions	11 618	
<b>Total income tax and social security contributions</b>	<b>38 235</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		61 000
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>0</b>	<b>61 000</b>
<b>D. Net income out of work (A-B+C)</b>	<b>110 714</b>	<b>61 000</b>
<b>E. Net income in work</b>	<b>168 216</b>	<b>168 216</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>66</b>	<b>36</b>

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### The annual tax/benefit position of an unemployed married couple with two children, 1997 (Krone)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	152 693	
<b>Total taxable benefits</b>	<b>152 693</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	78 739	
Taxable income	73 954	
Income tax	0	
Tax credits	3 640	
Central government and local taxes	17 067	
Social security contributions	11 910	
<b>Total income tax and social security contributions</b>	<b>28 977</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	83 620
<b>Non-means tested benefits</b>		
Family benefits	22 740	22 740
<b>Total non-taxable benefits</b>	<b>22 740</b>	<b>106 360</b>
<b>D. Net income out of work (A-B+C)</b>	<b>146 456</b>	<b>106 630</b>
<b>E. Net income in work</b>	<b>201 885</b>	<b>201 885</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>73</b>	<b>53</b>

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**The annual tax/benefit position of a lone parent with two children, 1997  
(Krone)**

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	152 693	
<b>Total taxable benefits</b>	<b>152 693</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	83 839	
Taxable income	68 854	
Income tax	0	
Tax credits	3 640	
Central government and local taxes	15 639	
Social security contributions	11 910	
<b>Total income tax and social security contributions</b>	<b>27 549</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	0
Lone parent benefit		99 248
<b>Non-means tested benefits</b>		
Family benefits	35 832	35 832
<b>Total non-taxable benefits</b>	<b>35 832</b>	<b>135 080</b>
<b>D. Net income out of work (A-B+C)</b>	<b>160 976</b>	<b>135 080</b>
<b>E. Net income in work</b>	<b>216 405</b>	<b>216 405</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>74</b>	<b>62</b>