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## NORWAY 2004

### 1. Overview of the system

The Norwegian unemployment insurance scheme is a part of the National Insurance Scheme (NIS). Social economic assistance is a non-taxable municipal benefit and may be granted to the individual and may cover all housing costs. In most cases, the tax unit is the individual. The 2004 AW level is NOK 314 523.

#### 1.1. *Average worker wage (AW)*

The 2004 AW level is NOK 366 161.

An essential factor in calculating both the unemployment benefits and other social related benefits is the "basic amount" (G). The basic amount is NOK 58 778 from 1 May 2004 which is also the amount per 1 July 2004. Even though the year's average G is not equal to G per 1 May, we stick at NOK 58 778 during this survey.

### 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 1.5 times the basic amount (G) 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.

#### 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 (NOK 352 668 in 2004). The maximum amount per week thus is NOK 4 230.

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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 50 per cent as compared to previous working hours.

#### 2.3 *Tax treatment of benefit*

Taxable as personal income, see section 10.1.2.

#### 2.4 *Benefit duration*

Daily cash benefits are payable for five days a week and are granted if the person concerned has been unemployed five 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, also during the previous benefit period, is met (see section 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 complementary to all other subsistence allowances and is provided as a last resort assistance (safety net). Municipalities are responsible for providing SEA.

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**4.1 Conditions for receipt**

SEA is a means-tested benefit. Only 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**

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 Health and Social Affairs in 2001 set governmental guidelines on reasonable amounts. The guidelines were revised in 2002. The latest price adjustment of the guidelines took place in 2004. 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 social assistance**

Household type; NOK/month	2004
Single person	4 140
Couples (married or cohabitating)	6 880
Cohabitating, single person benefit	3 440
Children 0-5 yrs.	1 580
Children 6-10 yrs.	2 090
Children 11-17 yrs.	2 640

Remarks:

1. Child care cash benefit (children 1-2 yrs.) included in income calculation base for social assistance
2. Family, basic, and attendance benefits excluded from income base

**Guidelines for housing benefit (excl. heating/electricity)<sup>1</sup>**

NOK/month	2004
Youth under 25 yrs. (single rooms, shared flats)	2 800
Single person over 25 yrs, no children (single-room flat)	3 500

<sup>1</sup> For beneficiaries 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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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)	7 000
Any household with three children (four-room flat)	7 000

**Estimated heating/electricity expenses as a function of household income (NOK/year)**

Household income	2004
Less than 200 000	8 978
200 000 - 299 999	12 043

Remark:

Electricity consumption in 2001 multiplied by average price in 2005.

Source: Statistics Norway

**4.2.2** *Income and earnings disregards*

SEA is withdrawn 100 per cent against all income.

**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 yearly amount was NOK 18 768 in 2004. The average yearly housing expenses in households receiving housing allowance was NOK 54 816 in 2004, and the average yearly income was NOK 98 795.

The following groups were eligible for the special housing benefit in 2004:

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- Recipients of pensions or allowances from the National Insurance Scheme (NIS) or comparable pension benefits.
- Recipients of Social Economic Assistance (SEA), see section 4.
- Elderly persons (from the age of 65).
- Households with children under the age of 18.

Maximum income per year for eligible households with children under the age of 18 and recipients of Social Economic Assistance (SEA) was:

- Larger urban areas:
  - For one-person and two-person households: NOK 152 000 (Oslo NOK 163 700).
  - For households with three persons: NOK 166 000 (Oslo NOK 177 000).
- Other areas:
  - For one-person and two-person households: NOK 146 000.
  - For households with three persons: NOK 160 000.

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. The maximum housing expense, recognised for the purpose of calculating the housing allowance, is also given in the table.

Number of persons in household	Maximum expense/year (in NOK)		Standard expense/year		
	Larger urban areas	Other areas	Minimum (NOK)	17% of income (NOK) in the interval	17% +(0.3 percentage points/additional NOK 1000 in income) * total income, for income exceeding
One or two	60 000- 70 000	55 000	13 940	82 000 - 84 000	84 000
Three	64 500 - 74 500	59 500	16 490	97 000 – 99 000	99 000
Four	69 000 – 79 000	64 000	18 190	107 000 – 109 000	109 000

## 6. Family benefits

### 6.1 Conditions for receipt

Family benefits are paid only to families with dependent children. Each child aged 18 or under qualifies.

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**6.2**      *Calculation of benefit amount*

**6.2.1**    *Calculation of gross benefit*

The benefit is NOK 11 640 per dependent child per year. Lone parents receive benefits for one child more than the actual number of children.

An annual supplement of NOK 7 920 is granted for lone parents with wage income below half the basic amount (*i.e.* receiving full transitional benefit, see section 9.2.1) with child(ren) younger than 3 years of age. Only one supplement is paid per family, independent of the actual number of children.

**6.2.2**    *Income and earnings disregards*

None.

**6.3**      *Tax treatment of benefit*

Not taxable.

**6.4**      *Treatment of particular groups*

None.

**7.**      **Childcare for pre-school children**

The compulsory schooling starts at six.

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

An upper limit on childcare fees paid by parents was set to NOK 2 750 from 1 May 2004. 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 on their income level.

NOK 2 750 is according to state regulations the maximum fee a private and public kindergarten is allowed to charge parents. However, if the kindergarten is facing severe economic problems or is in danger of reducing the quality of its service substantially, the owner of the kindergarten can, by approval of the entire group of parents, increase the parental fee. The average fee paid by parents is by Oct 2004 NOK 2 400 per child for a full day in public kindergarten and NOK 2 600 NOK per child in a private kindergarten, including various subsidies. According to state regulations, all the kindergartens are to offer discounts to parents with low income. State regulations do not, however, decide the level of these discount - which is up to each municipality or kindergarten owner. National grants and municipal grants are fashioned to cover these subsidies. The subsidy provided by the state for each child varies according to the level of parental fee. On the average, public (local and national) subsidy amounts to approx. 80 per cent of the cost.

If the family can document child-care expenses for children younger than 12 years, the parent(s) will get a deduction in ordinary income up to NOK 25 000 for one child and NOK 30 000 for two or more children.

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

## **7.2** *Child-care benefits*

For children aged 1 and 2 not attending kindergarten, the parent(s) receive a non-taxable cash amount of NOK 43 884 per child per year. For part-time use of public kindergarten, the cash amounts are as described:

Up to and including 8 hours a week: 80 per cent of NOK 43 884;  
9-16 hours a week: 60 per cent of NOK 43 884;  
17-24 hours a week: 40 per cent of NOK 43 884;  
25-32 hours a week: 20 per cent of NOK 43 884;  
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*

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

### *7.2.4* *Treatment of particular groups*

Benefits available for childcare expenses for single parents, cf. paragraph 9.

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

None.

## **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 neither 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.

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**9.2 Calculation of benefit amount**

**9.2.1 Calculation of gross benefit**

a) Transitional benefit

Full transitional benefit is equivalent to 1.85 times the basic amount (see section 1 above), that is, NOK 108 739 in 2004, reduced by 40 per cent of wage and unemployment insurance exceeding one half of the basic amount, that is, NOK 29 389 in 2004.

b) Child-care benefit

If the single parent attends educational or work qualification arrangements, he/she is entitled to non-taxable, child-care benefits (refunds). The benefit is given until the youngest child has finished the fourth year in school. There are some exceptions to this general rule, but these do not affect the calculated results in the tables.

Maximum child-care benefit for lone parents in 2004:

- One child: NOK 32 052.
- Two children: NOK 41 820.
- At least three children: NOK 47 388.

The actual child-care benefit granted is 64 per cent of documented expenses up to these maximum benefit levels in 2004. If the single parent has income above 6 times the basic amount, there is no benefit granted at all. Please notice that the amount of benefit granted affects the allowance for childcare expenses. The actual allowance for single parents for childcare expenses is the difference between the expenses and the received childcare benefit, yet limited by NOK 25 000/NOK 30 000 cf. paragraph 7.1.

**9.2.2 Income and earnings disregards**

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

**9.3 Tax treatment of benefit**

The transitional benefit is taxable as pension income. The child care 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).

**9.5 Treatment of particular groups**

None.

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**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 (NOK 32 900 class 1, NOK 65 800 class 2).
- Unemployment insurance is treated like wage income.
- Basic relief of 24 per cent of personal income, relief bound by a minimum of NOK 4 000 and a maximum of NOK 47 500. For wage income (incl. unemployment benefit) each individual can choose a separate allowance of NOK 31 800 instead of the basic relief.
- 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 NOK 30 000 for two or more children, cf. paragraph 7.1.

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

- Single parents qualify for a special "tax liability limitation schedule" if the transitional benefit is positive only. As a result of this tax limitation rule, single persons qualified for the rule, do not pay tax on net income below the threshold of NOK 88 600 (ordinary income including 2 per cent of net wealth exceeding NOK 200 000). Additional income faces a formal marginal tax rate of 55 per cent. Due to the basic relief, the actual marginal tax rate on personal income is normally 41.8 per cent ( $0.55 \times (1 - 0.24)$ ). Also due to the basic relief, a single parent (with wealth not exceeding NOK 200 000) does not pay tax if the total income is below NOK 116 579 ( $= 88\,600 / (1 - 0.24)$ ).
- The tax limitation rule has no direct contribution to the social security system. But the basic relief is included and so is the possible deduction due to documented child-care expenses. The lone parent may also have additional income (e.g. income from work) and still be taxed with reference to the limitation rule (if this implies lower tax than the ordinary tax rules only). Only when the transitional benefit is zero, the single parent *has* to be taxed in accordance with the ordinary tax rules for income in class 2 (including the 7.8 per cent contribution on wage/unemployment insurance to the social security system).

**10.1.2 The definition of taxable income**

Two tax bases exist:

- Personal income, income from work and/or pensions (including unemployment benefits and lone parent transitional allowances) with no deductions, social security tax and surtax are levied on personal income.
- Ordinary income, taxable income of all types after deductions (for example interest expenses).

Central government taxes are levied on both personal income and ordinary income, whilst local tax is levied on ordinary income only.

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**10.1.3 The tax schedule**

According to the ordinary tax rules (not the tax limitation rule) a total tax rate of 28 per cent is levied on ordinary income. This rate is divided into two parts: 15.8 per cent as local tax (county and municipality) and central government tax, calculated as 12.2 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, class 1 and class 2. See section 10.2.

NOK per year 2004		Rate (%)
Class 1	Class 2	
Up to 354 300	Up to 378 600	0
354 300 – 906 900	378 600 – 906 900	13.5
906 900+	906 900+	19.5

**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 one of the spouses has little or no own income. Lone parents are also entitled to class 2. Approximately 90 per cent of the tax payers are taxed in class 1.

**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. Pensions (including lone-parent transitional allowance) below NOK 116 579 are not subject to income tax and social security contributions, cf. paragraph 10.1.1, fifth bullet point.

People with personal income below NOK 23 000 do not pay social security contributions. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25% of the wage income in excess of the floor. The actual contributions made would represent the minimum between the alternative calculation and 7.8 per cent of the total wage 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.

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## 12. Policy developments

### 12.1 Policy changes introduced in the last year

### 12.2 Policy changes announced

#### Tax Reform for Economic Growth and Increased Welfare

In March 2004, the Government presented a white paper on tax reform aiming at reducing the tax on labour, decreasing the net wealth tax, abolishing the taxation of imputed rent from housing and decreasing the rate differential between labour and capital taxation. The reform aims at tax reductions of NOK 12 billion.

The proposal is based on the work carried out by the Skauge Committee, cf. the green paper, NOU 2003: 9 “Skatteutvalget – Forslag til endringer i skattesystemet” (“*The Tax Committee – Proposed Changes to the Tax System*”). The Committee submitted its recommendations on 6 February 2003.

The press release in full can be downloaded from the Ministry's web pages at the following address: <http://www.odin.dep.no/fin/engelsk/aktuelt/pressem/006071-070502/dok-bn.html>