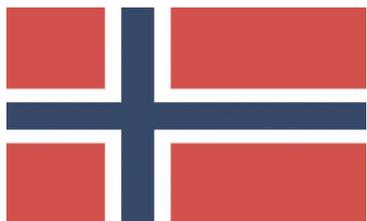


THE OECD TAX-BENEFIT MODEL FOR NORWAY

Description of policy rules for 2018



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Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2018**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the **variable names** are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Norway: Policy rules in 2018

1. Reference wages

The 2018 average wage [AW] is NOK 598,065.¹

There was no statutory minimum wage in Norway in 2018.

A crucial factor in calculating many benefits is the "basic amount" (G). The basic amount is NOK 96,883 from 1 May 2018. Even though the year's average G is not equal to G per 1 May, TaxBEN uses NOK 96,883 in all relevant calculations.

2. Unemployment benefits

Variable name: [UB]

The unemployment benefit system in Norway consists of two schemes. i) a contributory scheme (unemployment benefit under the National Insurance Scheme, *dagpenger under arbeidsløshet*) and ii) a non-contributory scheme for jobseekers who participate in labour market programmes and who are not entitled to other benefits (training allowance, *tiltakspenger*).

Unemployment benefit under the National Insurance Scheme is described in Section 2.1. Training allowance is not modelled in TaxBEN while further information can be found in the Annex.

2.1. Unemployment benefit under the National Insurance Scheme (dagpenger under arbeidsløshet)

Variable names: [UI_p; UI_s]

This is an unemployment insurance benefit. It is contributory, not means-tested but taxable.

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. 

¹ AW refers to the Average Wage estimated by the [Centre for Tax Policy and Administration](#). For more information on methodology see the latest [Taxing Wages publication](#).

2.1.1. Eligibility conditions

Age: When attaining the age of 67, a person no longer has the right of unemployment benefit.

Contribution/employment history: 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. Required is a prior work income of 1,5 times the basic amount G (NOK 145,325) in the preceding calendar year or 3G (NOK 290,649) in the three preceding years. 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.

Behavioural requirements and related eligibility conditions:  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.²

- 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.
- 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. Benefit amount

Calculation base: The calculation of daily cash benefits is based on income from work and from 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 Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

Benefit amount: 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 581,298 in 2018).

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

2.1.3. Benefit duration

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 (NOK 193,766) in the last calendar year or on average the last three calendar years gives a benefit period of 104 weeks. Income amounting to less than twice the basic amount gives a period of 52 weeks.

When the initial period expires, a subsequent benefit period may only be granted provided that the requirement concerning previous income from work and reduction of working hours is met (see Section 2.1.1). If the person concerned lacks other income or benefits, he or she is entitled to social assistance.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

Taxable as personal income, see Section 8. Subject to social security contribution (employee contribution only) as wage income, see Section 7.

2.1.6. Interactions with other components of the tax-benefit system

A person who is entitled to unemployment benefit at the same time as being eligible for other benefits designed to cover loss of income according to the National Insurance Act, may choose which benefit to receive. Receiving full daily cash benefits in the case of sickness, full disability pension, maternity- or parental benefits, precludes the right of unemployment benefits.

2.1.7. Combining benefit receipt and employment/starting a new job

Combining income from work with unemployment benefits leads to proportional reduction of the unemployment benefits. When working hours over a period of 14 days exceed 50 % of "normal working hours", i.e. the estimated amount of working hours prior to the unemployment, a person will lose the right of unemployment benefits for the concerning 14-day period.

A person entitled to unemployment benefits who is establishing a business, might after application to the Labour and welfare service receive unemployment benefits for a period of up to 12 months.

3. Social assistance and housing benefits

In Norway, there exists one guaranteed minimum income scheme (Social Economic Assistance, *økonomisk stønad*), including a subsistence allowance and a housing supplement (both described in Section 3.1) and one separate housing allowance (*bostøtte*, described in Section 3.2).

3.1. Social assistance (*økonomisk stønad*)

Variable names: [SA; HB_SA]³

This is a non-contributory benefit which is means-tested, needs-based and not taxable.

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.

3.1.1. Eligibility conditions

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.

3.1.2. Calculation of gross benefit

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 sets governmental guidelines on reasonable amounts for subsistence allowance. The guidelines are adjusted in accordance with the rise in consumer prices.

³ The housing supplement to social assistance is modelled in variable **HB_SA**, which is finally integrated into variable **HB**, i.e. the housing supplement is classified as a housing benefit in TaxBEN (see Section 3.2).

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 person to person. It is not possible to indicate amounts or timing of such expenses, since these expenses vary in each individual case. They're thus not modelled in TaxBEN.

TaxBEN assumes that subsistence allowance is based on the governmental guidelines, while the housing allowance is based on the guidelines of the municipality of Trondheim as outlined in the three tables below.

Guidelines (governmental) for subsistence allowance amounts

Household type; NOK/month	2018
Single person	6,050
Couples (married or cohabitating)	10,100
Cohabiting, single person benefit	5,050
Children 0-5 yrs.	2,350
Children 6-10 yrs.	3,050
Children 11-17 yrs.	3,950

Guidelines (municipality of Trondheim⁴) for housing supplement amounts (excl. heating/electricity)⁵

Household type; NOK/month	2018
Youth under 25 yrs. (single rooms, shared flats)	4,600
Single person over 25 yrs, no children (single-room flat)	5,800
Couple under 25, no children (single-room flat)	5,800
Couple over 25 (married or cohabitating), no children (two-room flat)	7,800
Any household, one child (two-room flat)	7,800
Any household with two small children or one older	9,100

⁴<https://www.trondheim.kommune.no/tema/sosiale-tjenester/okonomisk-bistand/sosial-stonad/sosialhjelpstser-for-2018/>

⁵ For beneficiaries of SEA, the housing benefit is generally set and provided by the municipality. In the event that a beneficiary of SEA is also eligible for the governmental housing benefit (as described in Section 3.2), the governmental benefit is included in the above (municipal) amounts. This follows from the fact that SEA is a subsidiary benefit.

child (three-room flat)	
Any household with three or four children (four-room flat)	11,800

Heating/electricity supplements based on estimated heating/electricity expenses per household (NOK/year)

Estimated heating/electricity expenses as a function of household income (NOK/year)	2012
Less than 210 000	11 943
210 000 - 330 000	14 568

Source: Survey of Consumer Expenditure 2012, Statistics Norway (2012-figures).

3.1.3. Benefit amount

See Section 3.1.2.

3.1.4. Benefit duration

It is 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.

3.1.5. Means test

SEA is withdrawn at 100 per cent against all 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.

3.1.6. Tax treatment

The benefit is not taxable.

3.1.7. Interaction with other components of the tax-benefit system 

See Section 3.1.5.

3.1.8. Combining benefit receipt and employment/starting a new job

See Section 3.1.5.

3.2. Housing benefit (bostøtte)

Variable names: [\[HB\]](#)

This is a non-contributory benefit which is means-tested, needs-based and not taxable.

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.

As of April 1st 2018 the budget appropriation for the state housing allowance was NOK 2,777.15 million. In the month of February 2018, a total of 94,200 households received NOK 237.6 million in housing allowance. On average per household the allowance was NOK 2,523 and the housing expenses NOK 7,846 a month. The average income of the households was NOK 134,956 a year.

3.2.1. Eligibility conditions

The following groups were eligible for housing allowances in 2018:

- The applicant must be 18 years or more of age, inscribed in the Norwegian National Registry and legally living in Norway. Students and people serving the military are exempt, as there are designated schemes for housing support for these groups.
- Students are, however, eligible if there are children under the age of 18 in the household.
- Applicants under 18 years of age are eligible provided they live with their own children.
- The habitation must be a permanent, year-round residence, with its own entrance and bathroom/toilet, and with facilities for cooking and sleeping. Exceptions can be made under certain circumstances.

Maximum yearly income is implicitly determined by the cap on housing expenses and the other rules for calculating the benefit. Maximum income per year for eligible households (private accommodation):

- Oslo:
 - For households with one person: NOK 234,900
 - For households with two persons: NOK 266,760
 - For households with three persons: NOK 300,696
 - For households with four persons: NOK 335,496
 - For households with five persons: NOK 370,908
- The rest of the country:
 - For households with one person: NOK 209,424
 - For households with two persons: NOK 240,912
 - For households with three persons: NOK 273,360
 - For households with four persons: NOK 306,924
 - For households with five persons: NOK 342,504

There are 14 larger cities and municipalities surrounding Oslo and Stavanger in which income limits are in the range between Oslo and the rest of the country. For disability pensioners deemed to have been disabled before the age of 26, and for disabled living in specially adapted housing, the maximum income is slightly higher. Note that TaxBEN assumes the maximum income levels for Oslo and does not take into account any of the further variations.

Costs eligible for housing benefits:

- In rented housing: rent;
- In cooperative and co-owned housing: rent, shared expenses, interest and down payments on housing mortgage;
- In other housing: interest and down payments on housing mortgage, public taxes, land rent, maintenance costs stipulated at NOK 12,240 per year.⁶

TaxBEN assumes rented housing.

3.2.2. Calculation of gross benefit

In 2018, for all housing the housing allowance is calculated as 73.7 per cent of the difference between the housing expenses and a “household's own expense”, i.e.

$$\text{Housing allowance} = 0.737 * (\text{max. housing expenses} - \text{household's own expense}).$$

The household's own expense is calculated on the basis of taxed income and wealth. 65 per cent of net taxable wealth exceeding a free amount is added to the income. For renters the free amount is NOK 258,250. For homeowners the free amount equals the tax value of the home capped at NOK 542,325 (note, however, that TaxBEN does not assume any wealth income).

Prior to calculation, the household's total income is divided by a sum of weights assigned to the household members. The first member is assigned the weight 1.0, and other members are assigned a weight of 0.1 each.

There is a minimum household's own expense of NOK 19,937 a year. For calculated incomes up to NOK 98,296 a year the household's own expense equals the minimum expense. For incomes over NOK 98,296, 16.44 per cent of the income exceeding NOK 98,296 is added to the minimum expense. For incomes over NOK 173,086 an extra fraction of the total income is added. The fraction starts at 0.29 per cent for an income of NOK 173,087, and is increased by 0.29 per cent for each additional NOK 1,068 exceeded.

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. TaxBEN applies the caps for Oslo.

Number of persons in the household	Yearly housing expenses cap 2018 (NOK)	
	Oslo	Rest of the country
One	87 414	64 974
Two	95 472	73 032
Three	103 530	81 090

⁶ Old age, disability and survivor pensioners paying for heating outside of the rent, are allowed a stipulated heating cost of NOK 6,120 per year.

Four	111 588	89 148
Five or more	119 646	97 206

Example: Assume a family of four persons living in a private, rented dwelling in Oslo. The combined taxable income of all the members of the household is NOK 20,000 a month, corresponding to NOK 240,000 a year, the taxed net wealth is NOK 220,000 and the housing expenses are NOK 150,000 a year.

The calculated income will be NOK 184,615, given by

$$\frac{(NOK\ 240,000[income] + ((NOK\ 220,000[wealth] - 258,250[free\ amount] = 0) * 0,65))}{(1 + 0.1 + 0.1 + 0.1)[personal\ weights]}$$

The household's own expense will be NOK 40,017, given by

$$= 19,937[minimum\ expence] + ((NOK\ 184,615[Calculated\ income] - 98,296) * 0,1644) + (184,615[Calculated\ income] * (11 * 0,0029))$$

The multiplier 11 in the final part of the expression is determined at follows: $184,615 - 173,086 = 11,529$. $11,529 / 1,068 = 10,79$. The multiplier is increased for every interval of NOK 1,068 entered, hence the result is 11.

The accepted housing expenses will be NOK 111,588, which is the cap on expenses in Oslo for a family of four.

And finally the housing allowance will be

$$= (NOK\ 111,588 [housing\ expences] - NOK\ 40,017 [own\ expence]) * 0,737 = NOK\ 52,748$$

The benefit is calculated and paid monthly, so in this example we have a monthly payment at NOK 4,396.

3.2.3. Benefit amount

See Section 3.2.2.

3.2.4. Benefit duration

The benefit can be paid as long as the eligibility conditions are fulfilled.

3.2.5. Means test

See Sections 3.2.1 and 3.2.2. Unemployment benefits and the Transitional benefit for lone parents are included in the income for the means-test while social assistance and all other family allowances are not.⁷

⁷ In practice, wages and taxable benefits for all household members are extracted from a national register, updated by employers and authorities on a monthly basis. From 2017 on, this is the main

3.2.6. Tax treatment

The benefit is not taxable.

3.2.7. Interaction with other components of the tax-benefit system

See Section 3.2.5.

3.2.8. Combining benefit receipt and employment/starting a new job

See Section 3.2.5.

4. Family benefits

Variable name: **[FB]**

The Norwegian family support system provides a universal child benefit (*barnetrygd*) and two different supplements for lone parents, all of which are described in Section 4.1. Furthermore, specific benefits for lone parents exist. First, lone parents are entitled to National Insurance Scheme benefits: Transitional allowance, education benefits, mobility allowance, and, when required due to professional or educational qualification activities, a supplementary childcare benefit. Second, but not as part of the National Insurance Scheme, children living with one parent or not living with either parent, may be eligible for advance payments of child maintenance. As part of family benefits, TaxBEN models the transitional benefit for lone parents (*overgangsstønad*), described in Section 4.2, and advance payments of child maintenance for lone parents (*bidragsforskott*), described in Section 4.3. There is also a general Cash benefit for families with small children (*kontantstøtte*) which is described in Section 4.4. Childcare benefits to cover expenses for centre-based care (i.e. the supplementary childcare benefit for lone parents) are covered in Section 5. TaxBEN does not model education benefits and mobility allowance for lone parents.

4.1. Child benefit incl. lone-parent supplements (*barnetrygd*)

Variable names: **[FAMBEN; LP_yng]**⁸

This is a non-contributory, non-taxable and not means-tested benefit.

4.1.1. Eligibility conditions

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

source of income data for the calculation of the housing allowance. Applicants are required to assess wealth and any income not reported to the register. Awarded housing allowance is reassessed when income is finally determined by tax authorities, and errors, whether in favour or disfavour of the applicant, will be corrected.

⁸ The lone-parent supplement to the child benefit is modelled in variable **LP_yng**, which is finally integrated into variable **LPB** in TaxBEN which summarizes all lone-parent benefits for Norway (see also Sections 4.2 and 4.3).

4.1.2. *Benefit amount*

The benefit is a flat-rate of NOK 11,640 per dependent child per year.

Lone parents are entitled to child benefit for one child more than they actually have. 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.

Furthermore, an annual supplement of NOK 7,920 is granted for lone parents entitled to the full transitional benefit (see Section 4.2), independent of the actual number of children, as long as at least one child is younger than three years old.

4.1.3. *Benefit duration*

The benefit can be received as long as the eligibility conditions hold.

4.1.4. *Means test*

The benefit is not means-tested.

4.1.5. *Tax treatment*

The benefit is not taxable.

4.1.6. *Interaction with other components of the tax-benefit system*

4.1.7. *Combining benefit receipt and employment/starting a new job*

Employment doesn't affect benefit receipt.

4.2. *Transitional benefit for lone parents (overgangsstønad)*

Variable name: [\[LPB; TRANS_BEN\]](#)

This is a contributory (as part of the National Insurance Scheme) and means-tested benefit. It is taxable.

4.2.1. *Eligibility conditions*

Lone parents are entitled to benefits if unmarried, divorced or separated and not living together with a person who is the child's/children's other parent. A benefit is not granted if the single parent lives with a spousal equivalent.

After the child is one year old it is normally required that the beneficiary participates in vocational activity; e.g. employment or education which constitutes at least half of the full-time, establish their own business, or register as job-seeker.

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. While undergoing education the benefit period may be prolonged by two years. If the beneficiary has sole care for more than two children, or becomes a single parent before attaining the age of 18, the benefit period can be prolonged by three years. A beneficiary who has already received one full three-year period of benefit is given benefit until the child reaches the age for the legal right to child-care when becoming a lone parent for the second time.

4.2.2. *Benefit amount*

The full transitional benefit is equivalent to 2.25 times the basic amount (see Section 1 above), that is, NOK 217,987 in 2018, reduced by 45 per cent of wage exceeding one half of the basic amount, that is, NOK 48,441.5 in 2018.

Working single parents can receive childcare benefit (see Section 5.3).

4.2.3. *Benefit duration*

The transitional benefit is limited to a period of three years, 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). If the beneficiary has sole care for more than two children, or becomes a single parent before attaining the age of 18, the benefit period can be prolonged by three years. If taking care of a child with physical or mental disorders prevents the single parent from working, the benefit duration might be extended until the child has attained the age of 18. A beneficiary who has already received one full three-year period of benefit is entitled to benefit until the child reaches the age for the legal right to child-care when becoming a lone parent for the second time.

4.2.4. *Means test*

See Section 4.2.2.

4.2.5. *Tax treatment*

The transitional benefit is taxable as wage income, see Section 8. Subject to social security contribution (employee contribution only) as wage income, see Section 7.

4.2.6. *Interaction with other components of the tax-benefit system*

The transitional benefit is not granted if a person receives retirement pension, disability benefit or benefits for surviving spouse according to the National Insurance Act, or contractual early retirement pension.

4.2.7. *Combining benefit receipt and employment/starting a new job*

See Section 4.2.2.

4.3. *Advance payments of child maintenance for lone parents (bidragsforskott)*

Variable name: `[LPB; ADV_PMENT]`

This is a non-contributory and means-tested benefit. It is not subject to taxation.

The actual caretaker receives the advance payments of child maintenance on behalf of the child.

4.3.1. *Eligibility conditions*

The conditions for receiving advance payments of child maintenance are that the child

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

Advance payment of child maintenance is auxiliary to the absent parent's obligation to provide support for her/his child. Advance payment of child maintenance is therefore made only in respect of months during 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 deceased and the child is not entitled to a children's pension from the National Insurance Scheme or an equivalent benefit from another state.

4.3.2. Benefit amount

Advance payments of child maintenance are income-tested with reference to the recipient's income. In this context, income means income from gainful occupation, child benefit supplements for single supporters, i.e. lone parents, and cash benefit paid in cases where other care solutions than a kindergarten have been chosen (home care benefit).

The income-testing means that advance payments can be paid with three different rates: a standard or ordinary amount, with an enhanced amount if the recipient's income is low, or a reduced amount if the recipient's income is high, 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 annual income limits (pre-tax):

Period	Limit for receiving the maximum rate	Limit for being entitled to advance payments
As from 01.05.2006	<i>NOK 136 000</i>	<i>NOK 393 600</i>
As from 01.07.2006	<i>NOK 136 000</i>	<i>NOK 400 000</i>
As from 01.05.2007	<i>NOK 143 200</i>	<i>NOK 400 000</i>
As from 01.07.2007	<i>NOK 143 200</i>	<i>NOK 406 400</i>
As from 01.05.2008	<i>NOK 158 000</i>	<i>NOK 406 400</i>
As from 01.07.2008	<i>NOK 158 000</i>	<i>NOK 422 400</i>
As from 01.05.2009	<i>NOK 163 200</i>	<i>NOK 422 400</i>
As from 01.07.2009	<i>NOK 163 200</i>	<i>NOK 432 000</i>
As from 01.07.2010	<i>NOK 170 900</i>	<i>NOK 441 600</i>
As from 01.05.2011	<i>NOK 217 200</i>	<i>NOK 441 600</i>
As from 01.07.2011	<i>NOK 232 000</i>	<i>NOK 451 200</i>
As from 01.07.2012	<i>NOK 232 500</i>	<i>NOK 457 600</i>
As from 01.07.2013	<i>NOK 235 100</i>	<i>NOK 460 800</i>
As from 01.07.2014	<i>NOK 238 901</i>	<i>NOK 470 400</i>
As from 01.07.2015	<i>NOK 241 600</i>	<i>NOK 476 800</i>
As from 01.07.2016	<i>NOK 264 200</i>	<i>NOK 489 600</i>

As from 01.07.2017	<i>NOK 271 000</i>	<i>NOK 502 400</i>
As from 01.01.2018	<i>NOK 271 000</i>	<i>NOK 502 400</i>

As to the ordinary advance payment rate, separate limits apply for single supporters and persons living with a spouse/partner (the latter is not considered in TaxBEN, i.e. lone parents are not assumed to live with a partner different from the other parent). If these income limits are exceeded, advance payments will be made with the reduced rate or, if the income exceeds the limit for being entitled to advance payments, will not be paid at all.

The income limits for receiving the ordinary advance payment 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.

The applicable annual income limits (pre-tax) for receiving advance payments with ordinary advance payment rate, and the increase per additional child:

Period	Limit for a person with spouse/partner	Limit for single supporters	Increased limit per additional child
As from 01.07.2006	<i>NOK 222 900</i>	<i>NOK 248 700</i>	<i>NOK 36 700</i>
As from 01.07.2007	<i>NOK 236 600</i>	<i>NOK 257 400</i>	<i>NOK 40 600</i>
As from 01.07.2008	<i>NOK 261 800</i>	<i>NOK 283 700</i>	<i>NOK 44 500</i>
As from 01.07.2009	<i>NOK 275 700</i>	<i>NOK 305 700</i>	<i>NOK 48 900</i>
As from 01.07.2010	<i>NOK 290 000</i>	<i>NOK 323 900</i>	<i>NOK 52 800</i>
As from 01.07.2011	<i>NOK 298 500</i>	<i>NOK 341 200</i>	<i>NOK 54 000</i>
As from 01.07.2012	<i>NOK 299 300</i>	<i>NOK 341 500</i>	<i>NOK 54 800</i>
As from 01.07.2013	<i>NOK 300 500</i>	<i>NOK 342 800</i>	<i>NOK 55 100</i>
As from 01.07.2014	<i>NOK 308 900</i>	<i>NOK 363 200</i>	<i>NOK 57 300</i>
As from 01.07.2015	<i>NOK 314 800</i>	<i>NOK 370 200</i>	<i>NOK 58 400</i>
As from 01.07.2016	<i>NOK 328 700</i>	<i>NOK 399 100</i>	<i>NOK 60 200</i>
As from 01.07.2017	<i>NOK 335 900</i>	<i>NOK 408 200</i>	<i>NOK 61 100</i>
As from 01.01.2018	<i>NOK 335 900</i>	<i>NOK 408 200</i>	<i>NOK 61 100</i>

Payable monthly rates of advance payments per child:

Period	50 % rate	75 % rate	Full rate
As from 01.07.2006	<i>NOK 630</i>	<i>NOK 940</i>	<i>NOK 1 250</i>
As from 01.07.2007	<i>NOK 640</i>	<i>NOK 950</i>	<i>NOK 1 270</i>
As from 01.07.2008	<i>NOK 660</i>	<i>NOK 990</i>	<i>NOK 1 320</i>
As from 01.07.2009	<i>NOK 680</i>	<i>NOK 1010</i>	<i>NOK 1 350</i>
	Reduced rate	Ordinary rate	Increased rate
As from 01.05.2011	<i>NOK 690</i>	<i>NOK 1040</i>	<i>NOK 1 380</i>
As from 01.07.2011	<i>NOK 710</i>	<i>NOK 1060</i>	<i>NOK 1 420</i>
As from 01.07.2012	<i>NOK 710</i>	<i>NOK 1070</i>	<i>NOK 1 430</i>
As from 01.07.2013	<i>NOK 720</i>	<i>NOK 1080</i>	<i>NOK 1 440</i>
As from 01.07.2014	<i>NOK 730</i>	<i>NOK 1100</i>	<i>NOK 1 470</i>

As from 01.07.2015	<i>NOK 750</i>	<i>NOK 1120</i>	<i>NOK 1 490</i>
As from 01.07.2016	<i>NOK 770</i>	<i>NOK 1 150</i>	<i>NOK 1 530</i>
As from 01.07.2017	<i>NOK 790</i>	<i>NOK 1 180</i>	<i>NOK 1 570</i>
As from 01.01.2018	<i>NOK 790</i>	<i>NOK 1 180</i>	<i>NOK 1 570</i>

From 1 July 2017, an additional advance amount of NOK 390 per month per child aged 11 or older, is granted when the recipient's annual income is not in excess of NOK 271,000.

4.3.1. *Benefit duration*

The benefit is granted as long as the eligibility conditions are fulfilled.

4.3.2. *Means test*

See Section 4.3.2.

4.3.3. *Tax treatment*

The advance payments of child maintenance are not subject to taxation.

4.3.4. *Interaction with other components of the tax-benefit system*

If the child is eligible for children's pension from the National Insurance Scheme to secure an income in the event that one or both of their parents dies (not modelled in TaxBEN), the child is no longer eligible for advance payments. If one parent dies, eligibility to advance payments is only possible if the child doesn't live together with the other spouse.

The child is not eligible for advance payments if the child is granted other benefits from the National Insurance Scheme which secure income of the child (see the National Insurance Act chapters 11, 12, 13, 15 and 17).

See also Section 3.1.5 about means testing for Social assistance (*økonomisk stønad*).

4.3.5. *Combining benefit receipt and employment/starting a new job*

See Section 4.3.2.

4.4. *Cash benefit for families with small children (kontantstøtte)*

Variable name: [\[Home_Care\]](#)⁹

This is a non-contributory and not means-tested benefit. It is not taxable.

4.4.1. *Eligibility conditions*

The benefit is paid for children between the ages of 13 and 23 months who are not in a kindergarten that receives a public grant, or only have a part-time use of a kindergarten.

⁹ [Home_Care](#) is finally integrated into variable [FAMBEN](#) in TaxBEN which summarizes all family benefits for Norway that are not lone-parent benefits (those are summarized in variable [LPB](#)). See also Section 4.1.

4.4.2. *Benefit amount*

In 2018, the benefit is NOK 7,500 per child per month for children aged 13-23 months when the child is not in a kindergarten that receives a public grant. For part-time use of kindergarten (that receives a public grant) of under 20 hours a week, the parents receive 50 per cent of the cash benefit, which amounts to NOK 3,750 per month.¹⁰

4.4.3. *Benefit duration*

The cash benefit ceases the month in which the child turns two years old.

4.4.4. *Means test*

None.

4.4.5. *Tax treatment*

The benefit is not taxable.

4.4.6. *Interaction with other components of the tax-benefit system*

4.4.7. *Combining benefit receipt and employment/starting a new job*

Starting employment doesn't affect benefit receipt.

5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **January 1, 2018**.¹¹

91,3 per cent of children aged 1-5 years had a place in ordinary kindergarten or family kindergarten in 2017. Of these, 98,5 per cent had a place in ordinary kindergarten and about 1.5 per cent in family kindergarten. In addition so called open kindergartens (play groups for accompanied children led by kindergarten teachers) could accommodate 4,164 children. For children aged 1-2 years the kindergarten coverage is 82.5 per cent, while for children aged 3-5 years the kindergarten coverage is 97 per cent. Parents can choose part time childcare. Around 4.5 percent of children in kindergarten have an agreed part time less than 41 hours per week. Compulsory schooling starts at age 6.

5.1. *Gross childcare fees*

Variable names: `[NWcc_cost]`

The upper limit on childcare fees paid by parents was NOK 2,910 per month as of January 1st 2018. Parents should not pay more than NOK 32,010 total in 2018. In addition there are discounts for siblings, these amount 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 also receive further discounts depending on their income level, and no parents should pay more than 6

¹⁰ Part-time use of childcare is not considered in TaxBEN.

¹¹The childcare module of TaxBEN is updated every three years (next update: 2021).

per cent of the total family income in childcare. This means that all families with a combined income lower than NOK 533,500 are entitled to reduced fees for childcare. In order to have more children from low-income families attending kindergarten, from August 1st 2015, 3, 4 and 5 year old children in families earning less than NOK 450,000 per year in 2018 (NOK 533,500 per year as of 1st August 2018) have access to 20 hour free core time in kindergartens (this also applies if families use more than 20 hours of childcare in total). This is implemented in TaxBEN.

Approx. 28,900 families pay less than the maximum fee due to their income levels in 2017 (2018 data not yet available). This equals less pay for about 35,735 children. 20,978 children are subject to the regulation on free core time in kindergartens. Compared to 2016 approximately 3 000 more households and 2 400 children are encompassed by reduced fees due to their income level. In addition, 2,210 children are exempted from payments based on municipality's local rules.

The municipalities, who have responsibility to compensate parents, grant approx. NOK 498 million to this goal. The figure also include money for free core-time which was introduced on August 1st 2015.

5.1.1. Discounts for part-time usage (not modelled)

None.

5.2. Fee discounts and free provision

Variable name: [\[cc_subsidy\]](#)

No free provision but fee discounts are provided, see Section 5.1.

5.3. Childcare benefits for formal centre-based care (stønad til barnetilsyn)

Variable name: [\[cc_benefit\]](#)

This is a contributory (as part of the National Insurance Scheme) and means-tested benefit. It is not taxable.

Childcare benefit for formal centre-based care (kindergarten) is solely paid to lone parents. The childcare benefit amounts to 64 per cent of documented expenses up to a fixed maximum benefit level. If the single parent has income above 6*G (NOK 581,298 in 2018, see Section 1), 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.

Maximum childcare benefit per year for lone parents in 2018:

- One child NOK 46,656.
- Two children NOK 60,888.
- At least three children NOK 68,988.

5.4. Child-care allowance for children not using childcare centres (kontantstøtte)

Variable names: [\[Home_Care\]](#)

Norway provides a general home care benefit (*kontantstøtte*). TaxBEN models this benefit as part of family benefits, see Section 4.4.

5.5. Tax concessions for childcare expenditures

Norway provides a (limited) parent tax allowance for documented expenses for childcare, see Section 8.1.1.

6. Employment-conditional benefits

None.

7. Social security contributions and payroll taxes

7.1. Social security contributions

7.1.1. Employee contributions

Variable names: `[SC; SS_CON_1; SS_CON_2]`

Employees' contributions to the National Insurance Scheme generally amount to 8.2 per cent of personal wage income. Employees do not make contributions if their wage income is less than NOK 54,650. 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 would represent the minimum between the alternative calculation and 8.2 per cent of the total wage income.

The rate on pension income is 5.1 per cent of the total pension income. Contributions from the self-employed are 11.4 per cent of personal income attributable to labour, with exceptions for a rate of 8.2 per cent of income from fisheries and catching, as well as from child care in private homes (note that self-employed are not covered in TaxBEN).

7.1.2. Employer contributions

Variable names: `[SSCR; SSCR_p; SSCR_s]`

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 employer is considered to be located. 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 13.0 per cent (2018). TaxBEN assumes this average rate. Since January 2006, companies in Norway must have an occupational pension scheme for their employees (with exceptions). Employers can offer a defined contribution, a defined benefit pension scheme or a mixed scheme (combining elements of defined contribution and defined benefit schemes). Defined contribution schemes are offered by banks, life insurance companies, pension funds and companies that manage securities funds. Defined benefit schemes are offered by life insurance companies and pension funds. Employers pay contributions of at least 2% of the employee's earnings between 1 G and 12 G to the

pension scheme. These payments are modelled as non-tax compulsory payments (NTCP) in TaxBEN and are included in employer's social security contributions.¹²

7.2. Payroll taxes

None.

8. Taxes

8.1. Personal income tax

Variable name: **[IT]**

The tax unit is the individual (class 1). As from 1st of January 2018, the possibility of joint taxation of income if this is more favourable (class 2) has been repealed. Those individuals who would previously qualify for taxation in class 2, are now taxed in class 1.

8.1.1. Tax allowances

Variable name: **[ALLOW]**

Tax allowances concern local income taxes only, cp. Sections 8.1.2 and 8.1.3.

Standard allowances on ordinary income:

- **Personal allowance** (*personfradrag*): NOK 54,750 (class 1) in 2018.
- **Basic relief** (*minstefradrag*) **for wage income**: each individual receives a minimum allowance equal to 45 per cent of wage income, with a minimum of NOK 4,000 and a maximum of NOK 97,610. For wage income each individual can choose a separate allowance of NOK 31,800 instead of the basic relief (special wage income allowance, *lønnsfradrag*). Hence, wage earners would opt to choose this separate allowance as long as it exceeds the basic allowance to which they are entitled.
- **Basic relief for pension income**: each individual receives a minimum allowance equal to 31 per cent of pension income, with a minimum of NOK 4,000 and a maximum of NOK 83,000. This allowance is not modelled in TaxBEN given the disregard of pension income.
- Total basic relief for wage and pension income cannot exceed the maximum relief for wage income, i.e. NOK 97,610.

Non-standard allowances on ordinary income simulated in TaxBEN:

- **Parent allowance** (*foreldrefradrag*): Documented expenses for childcare limited to (for children below age 12); see also Section 5.5:
 - maximum NOK 25,000 for one child

¹² NTCPs refer to compulsory payments made by employers or employees in connection with the employees' labour activity that do not qualify as taxes and social security contributions. See the ["Associated paper: non-tax compulsory payments"](#) to the latest OECD *Taxing Wages* report for more details on NTCPs.

- NOK 15,000 for each subsequent child.

The maximum allowance applies to the total for a couple (married or cohabitants who have a child together), and is shared with one half to each of them (unless they agree on sharing the allowance differently). The full allowance is applicable to single parents (in addition to the allowance for single parents described below).

- **Allowance for single parents** (*særfradrag for enslige forsørgere*) of NOK 51,804.¹³

8.1.2. Tax base

Variable name: **[TAXINC]**

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.

8.1.3. Income tax schedule

The Norwegian income tax schedule includes a central government income tax and a local government income tax.

Central government income tax:

Variable name: **[C_TAX]**

There are no tax allowances applicable to an AW under the central government step-wise gross tax on personal income (*trinnskatt*). The tax base is personal income from which no deductions are allowed. The tax schedule in 2018 is as follows:

¹³ Further allowances which are not modelled in TaxBEN include (2018):

- Travel expenses related to work exceeding NOK 22,350;
- Labour union fees up to NOK 3,850;
- Donations to voluntary organisations up to NOK 40,000 ;
- Contributions to individual pension agreement schemes, maximum NOK 40,000, including a maximum of NOK 15,000 for contributions to a previous scheme (a new scheme was introduced from 1 November 2017);
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited;
- Unlimited deduction for interest payments.

Rate (%)	NOK
0	0 – 169 000
1.4	169 000– 237 900
3.3	237 900 – 598 050
12.4	598 050 – 962 050
15.4	962 050 and over

In addition, as part of the overall tax rate of 23 per cent on ordinary income (including central and local government tax), 8.55 per cent is considered to be the central government income tax.

Local government income tax:

Variable name: [\[L_TAX\]](#)

The overall tax rate on ordinary income is 23 per cent. The local government (municipal and county) income tax is 14.45 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard personal allowance of NOK 54,750 (class 1) in 2018; single parents are eligible to an additional special tax allowance of NOK 51,804 (see Section 8.1.1).

8.1.4. Tax credits

Standard tax credits:

Recipients of old-age pensions from the National Insurance System are entitled to a pension income tax credit of 29,950 NOK in 2018. The tax credit is reduced with 15.3 per cent of total pension income above 193,250 NOK and 6.0 per cent of total pension income above 290,700 NOK. This credit is not modelled in TaxBEN given the disregard of pension income.

Non-standard tax credits:

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 25,000 in special accounts is granted. Total savings may not exceed NOK 300,000. This credit is not modelled in TaxBEN given the disregard of savings.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Norway that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Training allowance (tiltakspenger)

Jobseekers who are over 18 years and who participate in labour market programmes are entitled to a special training allowance (*tiltakspenger*). The training allowance is not means tested and is granted for each day they participate in the program. It amounts to NOK 271 per day for participants under 19 years, and NOK 375 for those over 19 years. Training allowance is not taxable.

Jobseekers with training allowance can for each day they participate in the program (max 5 days a week) also receive:

- Child supplement (*barnetillegg*) of NOK 45 per day for each dependent child under 16 years;
- Benefit to cover necessary expenses to travel;
- Benefit for childcare, NOK 103 per day for the first child and NOK 56 per day for other children;
- Grant for living away from home, NOK 4070 per month.

A person who is eligible for other benefits according to the National Insurance Act are not entitled to training allowance. If he or she receives, or is entitled to receive, unemployment benefits, he or she can chose whether to receive unemployment benefits or training allowance during the attendance in the labour market program.

Income from work not related to the labour market program does not reduce the training allowance.

Financial activity tax (finansskatt)

Financial services are exempted from value added tax. As from 1 January 2017, a financial activity tax was introduced to partially offset the effect of this exemption. The financial activity tax is paid by employers in the financial services sector as a share of gross wages, i.e. the same tax base as for employer's social security contributions. The tax rate is 5 per cent of gross wages. (In addition, providers of financial services pay a tax of 25 per cent on profits, instead of the ordinary rate of 23 per cent applicable to other firms.)