R&D Tax Incentives: Norway, 2019

Design features

Norway provides R&D tax relief through a volume-based R&D tax credit. The headline credit rate is slightly larger for SMEs (20%) than for large firms (18%).
- In the case of insufficient tax liability, firms receive a refund of unused credits in the following year.
- A ceiling of NOK 25 million (NOK 50 million) applies to eligible in-house (purchased) R&D. Total eligible R&D expenditures must not exceed NOK 50 million (1 NOK = 0.102 EUR, Q3 2019).

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<th>Table 1. Main design features of R&amp;D tax incentives in Norway, 2019†</th>
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<td><strong>SKATTEFUNN</strong></td>
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<td>Tax incentive</td>
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<td>Type of instrument</td>
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<td>Eligible expenditures†</td>
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<td>Headline rates</td>
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<td>Refund</td>
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<td>Carry-over (years)</td>
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<td>Ceiling R&amp;D expenditure</td>
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†: inclusive of R&D procured from entities other than approved R&D institutions, including units in the same enterprise group if the transaction is based on market prices; **: subcontracted R&D to approved R&D institutions

For additional information: OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief

Recent developments and trends

Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2019, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Norway is estimated at 0.23 (0.23), above the OECD median of 0.19 (0.17). The tax subsidy rate for large enterprises is equal to 0.21 (0.21) in the profit (loss)-making scenario, significantly larger than the OECD median of 0.14 (0.10).

Since the introduction of a refundable R&D tax credit for SMEs in 2002, the generosity of R&D tax incentives has remained stable in Norway, as measured by the marginal R&D tax subsidy rate for SMEs in the profit and loss-making scenario. In 2003, the tax credit was extended to large companies, leading to a sudden increase in the marginal R&D tax subsidy rate estimated for large (profitable and loss-making) firms in that year. With no change and only a small difference in the headline tax credit rates for SMEs (20%) and large companies (18%) over the 2003-2019 period, marginal tax subsidy rates display limited variation by firm size and over time. Norway doubled its ceiling on eligible R&D expenditure in 2014 and continued to raise it from 2015 to 2017. Headline tax credit rates do not capture these changes in R&D expenditure ceilings. If this ceiling is considered in the modelling of R&D tax subsidy rates in 2019, the rate estimated for large firms drops from 0.21 (0.21) to 0.04 (0.04) in the profit (loss)-making scenario, and the one for profitable (loss-making) SMEs from 0.23 (0.23) to 0.19 (0.19).

Figure 1. Implied tax subsidy rates on R&D expenditures: Norway, 2000-19

1-B-Index, by firm size and profit scenario


Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated (see methodology and country specific notes) based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief.

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Public support for business R&D: the policy mix

In 2017, Norway is among the top third OECD and partner economies in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to approximately 0.23% of GDP.

**Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2017 (nearest year)**

As a percentage of GDP

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<th>Direct government funding</th>
<th>Tax incentive support</th>
<th>Subnational tax incentive support</th>
<th>Total 2006 (excl. subnational tax support)</th>
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* Data on tax support not available. ** Data on subnational tax support not available


- From 2006 to 2017, government support for BERD as a percentage of GDP increased in Norway by 0.12 pp, while the OECD median increased by 0.015 pp.
- During this period, business R&D intensity in Norway increased from 0.78% to 1.10%.
- In 2017, R&D tax incentives accounted for 55% of total government support for BERD in Norway.

Trends in government support for business R&D

Since the introduction of an R&D tax credit in 2002, the importance of tax support has increased in Norway, both in absolute and relative terms.

**Figure 3. Direct government funding of business R&D and tax incentives for R&D, Norway, 2000-17**

As a percentage of GDP, 2010 prices (right-hand scale)


- The cost of tax support rose sharply in 2003 after the scheme was extended to large firms, and in 2014, when the ceiling on total eligible R&D expenditure doubled. This trend continued as this ceiling was further raised in 2015, 2016 and 2017, when R&D tax relief amounted to NOK 3.5 billion (in 2010 prices).
- As percentage of GDP, tax support increased from 0.04% in 2002 to 0.13% of GDP in 2017.
- Direct funding of BERD increased from 0.06% to 0.10% of GDP between 2002 and 2017.
- The share of R&D tax incentives in total government support fluctuated over this period, amounting to 36% in 2002, 50% in 2005 and 35% in 2008 and rising thereafter to reach 55% in 2017.