

Norwegian Government proposes temporal measures in connection with COVID-19

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Executive summary

Many Norwegian businesses are already heavily affected by the outbreak of the COVID-19 virus, by ways of experiencing liquidity difficulties or losses. In an attempt to address the difficulties, on 19 and 20 March 2020, the Norwegian Government has proposed government loan and guarantee schemes as well as temporary changes to the Norwegian direct and indirect tax legislations, labor legislation and rules related to government benefits.

In addition, on 20 March some temporal measures were implemented in order to mitigate the employers' costs derived from the work force reduction.

Further changes and measures are expected to be proposed in the time to come.

Detailed discussion

Government loan and loan guarantee schemes

The Government has proposed the following programs in order to improve liquidity for Norwegian companies:

- ▶ A government guarantee program of NOK50 billion for small and medium-sized enterprises. Under this program, the Government will guarantee 90% of the value of new loans issued to small and medium-sized enterprises up

to NOK50 million per company. It is proposed that this program will apply only to companies that have an acute need for liquidity and only if it can be expected that business of such companies will be profitable when the market situation stabilizes.

- ▶ Reinstatement of the Government Bond Fund (*Statens Obligasjonsfond*) as a measure to support larger companies. The fund shall be managed by the Government Pension Fund of Norway (*Folketrygdfondet*) and invested in bonds with an investment mandate of NOK50 billion.

The Ministry of Finance is currently setting up guidance with respect to the management of the fund and the guarantee scheme.

Automatic carryback of losses incurred in 2019

For companies reporting tax losses in the tax year 2020, the Government has proposed that losses can be carried back against taxable profits incurred in 2019 and/or 2018 up to NOK30 million. Hence, companies should take this into consideration when determining the group contributions for the year 2019.

The temporary rule on the carryback of losses applies for all entities taxable to Norway for the year 2020, 2019 and/or 2018. Technically, the carryback is calculated as a tax deduction of 22% of the tax losses incurred in 2020, limited to the taxable income for 2019 and/or 2018. For companies under the financial tax regime, the rate is 25%. As companies are liable to pay tax for the 2020 tax year in 2021, the cashflow effect will first be recognized in 2021. However, the Government assumes that the setup will improve the companies' access to

As the deduction is granted automatically, companies that do not wish to apply the deduction must specifically claim this in the tax return.

Payment of taxes for the 2019 tax year, and prepayment of taxes for 2020

Limited liability companies

For companies, the 2019 corporate income tax liability is due on 15 February 2020 and 15 April 2020. The Government has proposed an extension of the second term due on 15 April 2020 to 1 September 2020. No interest shall accrue due to the extension. For the tax already paid, the Government has not allowed for these payments to be reclaimed.

Employer social security

The Government has announced that a temporal reduction of the employer social security rate with 4 percentage points, (i.e., from 14.1% to 10.1%) for two months will be proposed later on. Further, the Government has granted an extension of the deadline for the payment of the employer social security contribution to 15 May 2020. A further extension from 15 May to 15 August 2020 is proposed by the Government. This extension also comprises the salary portion of the finance tax. No interest shall accrue due to the extension. The reporting deadline will remain unchanged although an extension of the payment is granted.

Self-employed persons

The deadline for the first advanced payment of income tax corresponding to 2020 was due on 15 March 2020. The deadline has been extended until 1 May 2020. The proposal does not grant an access to claim back any taxes already paid. For future term payments, changes are expected.

Value-Added Tax (VAT)

For VAT due for the first VAT term (January/February 2020), the Government has proposed to extend the payment due date from 14 April 2020 to 10 June 2020. The extension will apply for all entities registered in the VAT registry. The VAT filing due date is not extended.

For services and goods that are currently subject to VAT at the reduced rate of 12% (covering e.g., passenger transport, accommodation and cultural services), there is a temporal reduction of the rate to 8% from 1 April to 31 October 2020.

Industry specific measures – Airline industry

Due to the severe financial difficulties in the airline industry, the Government proposes the following temporary measures:

- ▶ Abolish air passenger duties for the period 1 January - 31 October 2020
- ▶ Abolish airport duties until 30 June 2020

Changes related to work force reduction

The following measures have been taken in relation to work force reduction caused by the COVID-19 outbreak:

- ▶ Temporarily laid-off workers shall receive full salary payments the first 20 days of the temporal laid-off period. The employer shall be responsible for the payment of the first two days. The subsequent 18-day period will be paid by the Government Labor and Welfare Agency (NAV).

After the 20-day period has lapsed, the employee shall be entitled to apply for unemployment benefits.

- ▶ Unemployment benefits for temporarily laid-off workers shall be set as follows: 80% of income up to 3G (1 G = NOK99,858), 62.4% of income between 3G and 6G. Any income over 6G is not included in the basis for calculation of unemployment benefits.

- ▶ The employer period for payment of sick leave benefits due to the COVID-19 virus shall be reduced to three days.

- ▶ For individuals receiving benefits due to homecare, the benefit period is doubled to 20 days. The period for which the employer is to carry the burden is reduced to three days.

The measures listed above have entered into force on 20 March 2020.

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