

## Norway takes additional measures in connection with COVID-19

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### Executive summary

The Norwegian Government is continuing to work on several financial measures in response to the COVID-19 outbreak. For background on prior measures, see EY Global Tax Alert, [Norwegian Government proposes temporal measures in connection with COVID-19](#), dated 23 March 2020.

On 27 March 2020, the King in Council enacted several of the proposals discussed in our previous Alert. Most recently, the Government has also published changes in the regulations and proposed new measures such as a compensation scheme for businesses with severe loss of income and other liquidity measures to curb financial distress and ensure continued business and investment activity.

On 31 March, the Parliament requested the Government to propose certain additional measures. These proposals include increasing depreciation of certain assets, delaying payment of certain excise duties, the possibility to receive additional guarantees for small and medium sized companies, stimulus packages for certain sectors, grants for innovation and changes to the bankruptcy legislation.

## Detailed discussion

### Adopted proposals

The following proposals, described in the EY Global Tax Alert dated 23 March, have been adopted in Norway:

- ▶ Automatic carryback of losses incurred in 2020 against taxable profits incurred in 2019 and/or 2018 up to NOK30 million. This proposal has been approved by the Norwegian Parliament and the changes are effective as of the 2020 tax year.
- ▶ Postponement of the deadlines for payment of the second installment for 2019 corporate income tax liability (extended from 15 April 2020 until 1 September 2020), the first Value-Added Tax (VAT) installment for 2020 (extended from 14 April 2020 until 10 June 2020) and the employers' social security contribution due on 15 May (extended from 15 May to 15 August 2020). This proposal has also been approved by the Norwegian Parliament.
- ▶ The Government initially proposed to temporarily reduce the VAT rate of 12% (applicable on passenger transport, cultural events etc.) to 8%. This proposal was amended to provide for a further reduction to 6%. The application of the 6% rate has now been approved by the Parliament with effect from 1 April until 31 October 2020.
- ▶ Introduction of a government guarantee scheme for new bank loans to small and medium-sized enterprises (SMEs) suffering losses because of the extraordinary situation arising from the COVID-19 pandemic. This guarantee scheme is regarded as State aid and was approved by the EFTA<sup>1</sup> Surveillance Authority (ESA) on 26 March 2020. After such approval, this proposal was adopted by the Norwegian Parliament and is effective from 27 March 2020.
- ▶ Reinstatement of the Government Bond Fund to increase liquidity and access to capital in the Norwegian bond market, where larger companies typically raise their funding. This proposal was also adopted by the Norwegian Parliament and is effective from 27 March 2020.

In addition, the Norwegian Government proposed an aviation guarantee scheme totaling NOK6 billion, with a 90% government guarantee on each loan. The scheme is available for airline companies with authorization to operate in Norway. This guarantee scheme is regarded as State aid and was approved by the EFTA Surveillance Authority on 30 March 2020. After such approval, this proposal was adopted by the Norwegian Parliament and is effective from 31 March 2020.

### Changes in previous proposal regarding Employer Social Security

The Government has proposed a temporal reduction of the employer social security rate by 4 percentage points (i.e., from 14.1% to 10.1%) for two months. This proposal will be included in the revised National Budget for 2020 to be published in May 2020. In the proposal it is signaled that the temporal reduction shall apply for the third term May/June due on 15 July.

### Proposal on compensation scheme for businesses with severe loss of income

The Government has proposed a compensation scheme comprising of NOK10 to NOK20 billion per month for companies experiencing significant downfall in income due to the outbreak. The rule set is yet to be specified and the Government has signaled that more details will be available on 3 April 2020.

The compensation scheme shall apply for businesses with a significant downfall in income. The scheme shall be available for companies for the months when the downfall of income is recorded and targets companies that have had to, or will need to, shut down due to the Government's implementation of measures to reduce the outbreak. The period for compensation is limited for loss endured for two months with an option to extend.

The scheme shall not apply for companies within the following sectors: finance, oil, international marine traffic, power, water supply and state-owned agencies.

Businesses must apply for the compensation scheme through a new digital portal and will need to provide documentation for the downfall in income. Should the applicant be deemed to not fulfill the requirements, the compensation will be claimed back at the same terms as for payment of taxes.

### Proposed additional liquidity measures for companies

On 27 March 2020, the Government proposed additional liquidity measures for companies, which were approved by the Parliament on 31 March 2020:

- ▶ Implementation of an interest payment support fund of NOK300 million. The purpose is to provide payment relief to companies through installment deferral and deferral of interest payments on existing or new innovation and venture loans with a regional focus.

- ▶ Increase of NOK1 billion for Investinor AS' capital to improve access to capital for early-stage companies. Investinor AS is an evergreen investment company funded by the Norwegian Government.
- ▶ A grant of NOK2.5 billion for young growth companies. This will strengthen the innovation grants scheme by NOK2 billion and the start-up grants scheme by NOK500 million.
- ▶ An increase of the framework for innovation loans to NOK3 billion. Such innovation loans may be used for partial financing of investment projects related to start-up, innovation, restructuring, internationalization and development.
- ▶ A grant of up to NOK250 million to keep research and development activity up across the entire business sector.
- ▶ For private innovation groups a support scheme of NOK50 million for their provision of services to start-up and growth companies.
- ▶ Increased depreciation of items in depreciation group D (cars, tractors, other movable machines, other machines, equipment, instruments, furniture, fixtures and similar items) from 20% to 30% in the acquisition year.
- ▶ Establishment of a separate temporary depreciation scheme for ships (for companies not taxed under the Norwegian Tonnage Tax Regime) with a depreciation rate of 20%.
- ▶ Delayed payment of certain excise duties.
- ▶ A possibility for SMEs to obtain a higher guarantee than NOK50 million from the Government guarantee program in certain circumstances, and in addition that the Government provides a broader assessment of set up of the loan guarantee scheme.
- ▶ New stimulus packages for investments in the oil-and gas industry.
- ▶ Changes in the bankruptcy legislation to reduce the risk that companies that suffer from acute liquidity difficulties due to the outbreak declare bankruptcy.

### **Request from the Parliament to the Government for proposals on additional measures**

On 31 March 2020, the Parliament requested the Government to propose certain additional measures. The following is an overview of some of the key measures:

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### **Endnote**

1. European Free Trade Association.

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