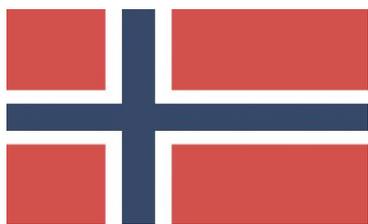


# THE OECD TAX-BENEFIT MODEL FOR NORWAY

Description of policy rules for 2020



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## Description of policy rules for 2020

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This version : September 2020 – via <http://www.oecd.org/els/benefits-and-wages.htm>

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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, 2020**.
- **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 2020

### 1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model (TaxBEN) uses Secretariat estimates of the average full-time wage (available [here](#)).<sup>1</sup> If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth<sup>2</sup> to the latest available wage estimate.

Minimum wage **[MIN]**: There was no statutory minimum wage in Norway in 2020.

A crucial factor in calculating many benefits is the "basic amount" (G). The basic amount is updated yearly as of the 1<sup>st</sup> of May. The basic amount is NOK 99 858 from 1 May 2019. Even though the year's average G is not equal to G per 1 May, TaxBEN uses NOK 99 858 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. 

##### *2.1.1. Eligibility conditions*

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

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<sup>1</sup> Average Wages are estimated by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

<sup>2</sup> Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

**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 149,787) in the preceding last twelve completed calendar months prior to the application for unemployment benefits or 3G (NOK 299,574) in the 36 last completed calendar months prior to the application for unemployment benefits. 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 (40 per cent during the COVID-19 pandemic, not modelled in TaxBEN).

Temporary changes during the COVID-19 pandemic (not modelled in TaxBEN): Temporarily reduced minimum income for eligibility to unemployment benefits from 1,5G to 0,75G over the past 12 months, or from 3G to 2,25G over the past 36 months. This applies to applications which are granted from the 20<sup>th</sup> of March 2020 to 31<sup>st</sup> of December, unless otherwise decided.

**Behavioural requirements and related eligibility conditions:**  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.<sup>3</sup>

- 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

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<sup>3</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz \(2018\)](#), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

calculation basis is the highest of either the income of the last preceding twelve completed calendar months prior to the application for unemployment benefits, or the average over the last 36 preceding calendar months prior to the application for unemployment benefits.

**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 599 in 2020).

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

Temporary changes during the COVID-19 pandemic (not modelled in TaxBEN): The unemployment benefit is increased from 62,4 per cent to 80 per cent of the calculation basis up to an income of 3G. Of incomes between 3G and 6G, the unemployment benefit remains at 62,4 per cent of the calculation basis. Applies to applications which are granted from the 20th of March 2020 to 31st of December, unless otherwise decided.

From the 27<sup>th</sup> of March to the end of 2020, those who have applied for unemployment benefits can apply for a pre-payment. The pre-payment should be 60 per cent of the calculation basis for unemployment benefit. The pre-payment is monthly, and a new application has to be handed in every month. The pre-paid amount will be deducted from the granted benefit. For partly temporary layoffs, the pre-payment is reduced according to the percentage of the partly layoff.

### 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 199,716) 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.

Unemployed who had 18 weeks or less remaining of their period of unemployment benefits per 29 February 2020 have had their eligibility period prolonged to the end of October(not modelled in TaxBEN).

The waiting period of three days before the claimant can draw benefits has been temporarily abolished. Applies to applications which are granted from the 20th of March 2020 to 31st of December, unless otherwise decided.

### 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.

Temporary arrangement because of the COVID-19 pandemic (not modelled in TaxBEN): Extended possibilities for combining unemployment benefits with education and training for a limited period (from 20<sup>th</sup> of April to the end of 2020, unless otherwise decided). Applies to all who are temporary laid off or registered as unemployed. This only applies for students that doesn't receive any support from the State Educational Loan Fund, Norway. The requirement for active job-seeking still applies.

### 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" (40% during the COVID-19 pandemic, not modelled in TaxBEN), 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.

Unemployment benefits recipients who take up employment in agriculture, forestry or green houses, only have to report half of the hours worked, thus having an economic incentive to take up such work. Applies from 13 April 2020 to the end of the year, unless otherwise decided (not modelled in TaxBEN).

## 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]<sup>4</sup>

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

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<sup>4</sup> 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).

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 seldomly granted individually to children under 18 years of age due to the parents' responsibility for supporting 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.

From 1 January 2017 a nationwide requirement that municipalities should set conditions of activity for recipients of financial assistance that are under 30 years, was introduced. These kind of conditions can only be set after a specific, individual assessment of the recipient's capabilities. If the recipient fails to satisfy these conditions, the financial support can be reduced. The benefit can only be reduced in cases where the recipient has the ability but not the will to meet the conditions.

As for unemployment benefits, TaxBEN assumes that these activity requirements are always met where relevant.

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

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<sup>5</sup>, 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**

<b>Household type; NOK/month</b>	<b>2020</b>
Single person	6,250
Couples (married or cohabitating)	10,450
Cohabitating, single person benefit (not considered in TaxBEN)	5,250
Children 0-5 yrs.	2,450
Children 6-10 yrs.	3,150
Children 11-17 yrs.	4,100

#### **Guidelines (municipality of Trondheim<sup>6</sup>) for housing supplement amounts (excl. heating/electricity)<sup>7</sup>**

<b>Household type; NOK/month</b>	<b>2020</b>
Youth under 25 yrs. (single rooms, shared flats)	4,650
Single person over 25 yrs, no children (single-room flat)	5,960
Couple under 25, no children (single-room flat)	5,960
Couple over 25 (married or cohabitating), no children (two-room flat)	7,880
Any household, one child (two-room flat)	7,880
Any household with two small children or one older child (three-room flat)	9,300
Any household with three or four children (four-room flat)	12,120

<sup>5</sup> Note that there are no published guidelines for Oslo, the reference municipality used in other sections of this report.

<sup>6</sup><https://www.trondheim.kommune.no/globalassets/10-bilder-og-filer/04-helse-og-velferd/esikt/sosialhjelpssatser-for-2020.pdf> <https://www.trondheim.kommune.no/globalassets/10-bilder-og-filer/04-helse-og-velferd/esikt/sosialhjelpssatser-for-2020.pdf>

<sup>7</sup> 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.

### 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 <sup>8</sup>
Less than 210 000	11 943
210 000 - 330 000	14 568

Source: Survey of Consumer Expenditure 2012, Statistics Norway (2012-figures). Values shown are from 2012 (latest available). TaxBEN uses these values uprated with CPI.

#### 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

<sup>8</sup> TaxBEN uprates these values to the current year using the consumer price index, [https://stats.oecd.org/Index.aspx?DataSetCode=PRICES\\_CPI#](https://stats.oecd.org/Index.aspx?DataSetCode=PRICES_CPI#)

living in rented and owner occupied accommodation. The benefit depends on the household's total economic resources and housing costs.

As of April 1<sup>st</sup> 2020 the budget appropriation for the state housing allowance was NOK 2,842.34 million. In the month of February 2020, a total of 84,700 households received NOK 242.6 million in housing allowance. On average per household the allowance was NOK 2,864 and the housing expenses NOK 8,446 a month. The average income of the households was NOK 139,033 a year.

### *3.2.1. Eligibility conditions*

The following groups were eligible for housing allowances in 2020:

- 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:

- Oslo:
  - For households with one person: NOK 245,112
  - For households with two persons: NOK 292,308
  - For households with three persons: NOK 329,784
  - For households with four persons: NOK 368,784
  - For households with five persons: NOK 409,704
- The rest of the country:
  - For households with one person: NOK 218,940
  - For households with two persons: NOK 267,492
  - For households with three persons: NOK 304,092
  - For households with four persons: NOK 342,300
  - For households with five persons: NOK 381,456

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.

Temporary changes due to the COVID-19 pandemic (not modelled in TaxBEN): Maximum income limits have been increased so that more people are eligible for housing allowances. The benefit will increase by approximately NOK 600 for households that already are receiving housing allowance. Applies from April to October 2020.

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, 672 per year.<sup>9</sup>

TaxBEN assumes rented housing.

### 3.2.2. Calculation of gross benefit

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 271,049. For homeowners the free amount equals the tax value of the home capped at NOK 569,202 (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 20,925 20,296 a year. For calculated incomes up to NOK 103,167<sup>10</sup> a year the household's own expense equals the minimum expense. For incomes over NOK 103,167, 16.44 per cent of the income exceeding NOK 103,167 is added to the minimum expense. For incomes over NOK 181,664 an extra fraction of the total income is added. The fraction starts at 0.29 per cent for an income of NOK 181,665, and is increased by 0.29 per cent for each additional NOK 1,121 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.

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<sup>9</sup> Old age, disability and survivor pensioners paying for heating outside of the rent, are allowed a stipulated heating cost of NOK 6,336 336 per year.

<sup>10</sup> For single old age pensioners with minimum pension, this limit is NOK 107,167

Number of persons in the household	Yearly housing expenses cap 2020 (NOK)	
	Oslo	Rest of the country
One	90,500	67,268
Two	111,683	88,451
Three	121,815	98,583
Four	131,948	108,716
Five or more	142,080	118,848

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 30,000 a month, corresponding to NOK 360,000 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 276,923, given by:

$$\frac{(NOK\ 360,000[income] + ((NOK\ 220,000[wealth] - 271,049[free\ amount] = 0) * 0,65))}{(1 + 0.1 + 0.1 + 0.1)[personal\ weights]}.$$

The household's own expense will be NOK 117,752, given by:

$$20,925 [minimum\ expense] + ((NOK\ 276,923[Calculated\ income] - 103,167) * 0,1644) + (276,923[Calculated\ income] * (85 * 0,0029)).$$

The multiplier 85 in the final part of the expression is determined as follows:  $276,923 - 181,664 = 95,259$ .  $95,259 / 1,121 = 84,98$ . The multiplier is increased for every interval of NOK 1,121 entered, hence the result is 85 8.

The accepted housing expenses will be NOK 131,948, which is the cap on expenses in Oslo for a family of four.

And finally the housing allowance will be:

$$(NOK\ 131,948 [housing\ expenses] - NOK\ 117,752 [own\ expense]) * 0,737 = NOK\ 10,462$$

The benefit is calculated and paid monthly, so in this example we have a monthly payment at NOK 872.

### 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.<sup>11</sup>

Housing allowance for a given month is means-tested against actual income in the course of that month, and is calculated when data are available after the month is over and transferred on the 20th of the following month. This means that recipients may not receive allowance during the first month of unemployment. Rather, recipients will receive allowance for the first month in the last part of the second month. As the current version TaxBEN does not incorporate administrative waiting times, this delay of payment is not included in TaxBEN.<sup>12</sup>

### 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.

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<sup>11</sup> 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 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.

<sup>12</sup> Currently, TaxBEN does not include administratively driven delays and assumes that governments have complete knowledge of worker incomes.

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]<sup>13</sup>

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.

##### *4.1.2. Benefit amount*

The benefit is a flat-rate of NOK 12,648 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 12,648. 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*

No information.

##### *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 (overgangstønnad)**

Variable name: [LPB; TRANS\_BEN]

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<sup>13</sup> 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).

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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 224,681 in 2020, reduced by 45 per cent of wage exceeding one half of the basic amount, that is, NOK 49,929 in 2020.

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.

It is a requirement that the maintenance from the absent parent is to be collected through the Collection Agency of the Labour and Welfare Administration (NAV). 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 employment, 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. Income thresholds are adjusted annually, from 1 July.

Applicable annual income limits (pre-tax):

Reference date	Limit for receiving the maximum rate	Limit for being entitled to advance payments
From 01.07.2019	NOK 277 600	NOK 524 800

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:

Reference date	Limit for a person with spouse/partner <sup>1</sup>	Limit for single supporters	Increased limit per additional child
From 01.07.2019	NOK 344 9003	NOK 430 000	NOK 62 700

1. Not assumed in TaxBEN.

Payable monthly rates of advance payments per child:

Reference date	Reduced rate	Ordinary rate	Increased rate
From 01.07.2019	NOK 820	NOK 1230	NOK 1 640

An additional advance amount of NOK 410 per month per child aged 11 or older, is granted when the recipient's annual income is not in excess of NOK 277 600.

#### 4.3.3. Benefit duration

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

#### 4.3.4. Means test

See table under Section 4.3.2 above.

#### 4.3.5. Tax treatment

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

#### 4.3.6. *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 parent.

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*).

#### 4.3.7. *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: [\[Home\\_Care\]](#)<sup>14</sup>

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.

#### 4.4.2. *Benefit amount*

In 2020, the benefit is NOK 7,500<sup>15</sup> per child per month for children aged 13-23 months when the child is not in a kindergarten that receives a public grant. For the part-time use of kindergartens, the amount depends on the number of weekly hours spent in a day care centre. If the child is in kindergarten up to 8 hours per week the benefit is NOK 6,000, if the child is in kindergarten 9 to 16 hours per week the benefit is NOK 4,500, if the child is in kindergarten 17 to 24 hours per week the benefit is NOK 3,000 and if the child is in kindergarten 25 to 32 hours per week the benefit is NOK 1,500. The benefit is currently not modelled in TaxBEN for the part-time use of childcare.

#### 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.

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<sup>14</sup> [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.

<sup>15</sup> <https://www.nav.no/no/person/familie/barnetrygd-og-kontantstotte/kontantstotte2>

#### 4.4.5. Tax treatment

The benefit is not taxable.

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

No information.

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

Starting employment does not affect benefit receipt.

## 5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **January 1, 2020**

92,2 per cent of children aged 1-5 years had a place in ordinary kindergarten or family kindergarten in 2019. Of these, 98,7 per cent had a place in ordinary kindergarten and about 1.3 per cent in a family kindergarten. About 50 per cent of children in kindergarten had a place in a privately owned facility. For children aged 1-2 years the kindergarten coverage in 2019 was 84,4 per cent, while for children aged 3-5 years the kindergarten coverage was 97,1 per cent. Parents can choose part time childcare. 3,4 percent of children in kindergarten have a part time place of less than 41 hours per week. Compulsory schooling starts at age 6. Full time kindergarten hours are considered 45 hours per week.

### 5.1. Gross childcare fees

Variable names: `[NWcc_cost]`

The upper limit on childcare fees for a place in kindergarten was NOK 3,135 per month as of January 1<sup>st</sup> 2020. In 2019 the average fee paid by parents, including an *optional* fee for meals (NOK 309 on average), was NOK 2,836 per month.<sup>16</sup> In Oslo, this optional fee for meals is NOK 180 in public kindergartens, the type of childcare modelled in TaxBEN.

In August to December of 2019, there was an upper monthly limit of NOK 3,040, and from January to June 2020, there is an upper limit of NOK 3,135. Therefore, parents should not pay more than NOK 33,760 in total for a child in the kindergarten year 2019/20. 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 (a maximum of 4 children is considered in TaxBEN).

Parents also receive discounts depending on their income level. No parents should pay more than 6 per cent of the gross family income for a place in kindergarten. Also, in order to have more children from low-income families attending kindergarten, 2, 3, 4 and 5 year old children in families earning less than NOK 548,500 per year have access to 20 hours of free core time in kindergartens (this also applies if families use more than 20 hours of childcare in total).

#### **Example:**

<sup>16</sup> <https://www.ssb.no/en/utdanning/statistikker/barnegenniv>

[https://www.ssb.no/utdanning/artikler-og-publikasjoner/\\_attachment/383938?\\_ts=16a0c043720](https://www.ssb.no/utdanning/artikler-og-publikasjoner/_attachment/383938?_ts=16a0c043720)

A household with a gross income of 518, 959 and two children that are 1 and 3 years old, will pay:

$$\left( \frac{6\% \text{ gross yearly income}}{\# \text{ months in kindergarten year}} \right) \text{share of hours in kindergarten week that are not free}$$

For the first child:

$$= \left( \frac{518959 \cdot 0.06}{11} \right) \left( \frac{45 - 20}{45} \right) = 1573 \text{ NOK a month}$$

For the second child (as a result of the 30% discount):

$$= \left( \frac{518959 \cdot 0.06}{11} \right) (0.7) = 1981 \text{ NOK a month}$$

Total yearly payments are:

$$= (1573 + 1981)(11) = 39095 \text{ NOK}$$

Approximately 35,300 families paid less than the maximum fee due to their income level in 2019. This equals less pay for about 43,300 children. 34,000 children were subject to the regulation on free core time in kindergartens. Compared to 2018, approximately 1,800 more households and 1,400 children were encompassed by reduced fees due to their income level. In addition, 2,617 children were exempted from payments based on municipal rules. The local rules for granting exemptions are usually related to household income.

The municipalities, who are responsible for compensating parents, grant approximately NOK 813 million to this goal. This figure also include money for free core-time.

### 5.1.1. Discounts for part-time usage

The upper limit on childcare fees and sibling discounts apply for children with a full-time place. The regulations on part-time usage only state that parents should pay less for part-time usage than the corresponding full time upper limits.

## 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 (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 2020:

- One child NOK 48,636.
- Two children NOK 63,468.

- At least three children NOK 71,916.

#### 5.4. *Childcare 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. A reduced benefit can be received in case of part-time use of kindergartens. This is currently not modelled in TaxBEN.

#### 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. Employees that are 16 years or younger and employees that are 70 years or older, pay a rate of 5.1 per cent of personal wage income instead of the ordinary rate of 8.2 per cent (only workers 18-64 are modelled in TaxBEN).

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 (2020). 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.<sup>17</sup>

## 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 1<sup>st</sup> 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 51,300 (class 1) in 2020.<sup>18</sup>
- **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 104,450. 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

<sup>17</sup> 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.

<sup>18</sup> The television licence fee was abolished on 1 January 2020, and the Norwegian Broadcasting Corporation (NRK) is from the same date funded via the fiscal budget by reducing the personal allowance. However, the personal allowance was reduced by less than would be required for the change in the funding of NRK to be revenue neutral.

maximum of NOK 87,450. 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 104,450.

Non-standard allowances on ordinary income simulated in TaxBEN:

- **Parent allowance** (*foreldrebetaling*): Documented expenditure for childcare for children below the age of 12 up to a maximum of
  - NOK 25,000 for the first child
  - NOK 15,000 for each subsequent child.

TaxBEN implements this allowance for children under the age of 6<sup>19</sup> at the calculated childcare cost borne by parents, and attributes one half of the allowance to each parent in couple households.<sup>20</sup> Single parents are entitled to the entire allowance.

- **Allowance for single parents** (*særfradrag for enslige forsørgere*) of NOK 51,804.<sup>21</sup>

### 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.

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<sup>19</sup> TaxBEN only calculates childcare costs for children under the age of 6 for reasons of international comparability. Childcare costs, and hence tax allowances, for children between 6 and 12 are therefore considered to be zero.

<sup>20</sup> Note that this is an itemized tax deduction (that is, childcare costs have to be proven) and therefore, this allowance is only implemented in TaxBen if childcare costs are explicitly considered in the TaxBen run.

<sup>21</sup> Further allowances which are not modelled in TaxBEN include (2020):

- Travel expenses related to work exceeding NOK 23,100;
- Labour union fees up to NOK 3,850;
- Donations to voluntary organisations up to NOK 50,000 ;
- 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.

### 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 2020 is as follows:

Rate (%)	NOK
0	0 – 180 800
1.9	180 800 – 254 500
4.2	254 500 – 639 750
13.2	639 750 – 999 550
16.2	999 550 and over

In addition, as part of the overall tax rate of 22 per cent on ordinary income (including central and local government tax), 8.45 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 22 per cent. The local government (municipal and county) income tax is 13.55 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard personal allowance of NOK 51,300 (class 1) in 2020; single parents are eligible to an additional special tax allowance of NOK 51,804 (see Section 8.1.1).

### 8.1.1. Tax credits

#### Standard tax credits:

Recipients of old-age pensions from the National Insurance System are entitled to a pension income tax credit of 32,330 NOK in 2019. The tax credit is reduced with 16.7 per cent of total pension income above 204,150 NOK and 6.0 per cent of total pension income above 306,300 NOK.<sup>22</sup> This credit is not modelled in TaxBEN given the disregard of pension income.

#### Non-standard tax credits:

<sup>22</sup> The tax credit for pensioners was increased for the lowest pensions from 2019 to 2020 to ensure that those receiving the minimum national insurance pension would continue to pay no tax following the reduction in the personal allowance. See footnote in section 8.1.1 regarding the personal allowance.

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.

## 9. Sick pay (not modelled in TaxBEN)

### 9.1. *Sickness Benefit*

#### 9.1.1. *Entitlement and eligibility conditions*

The following are eligible for sickness benefits:

- Employees, freelancers and self-employed
- unemployed entitled to unemployment benefit (under certain conditions)
- inactive who have been out of work for less than 1 month (under certain conditions).

It is, as a general rule, required that the occupational activity has lasted for at least 4 weeks prior to onset of sickness. Periods where the insured has received sickness benefit, parental benefit, attendance allowance or unemployment benefit are considered equal as work. Other periods of short absence from work, education, military etc. may also be taken into account for entitlement to sickness benefits, but with a lower rate.

The qualifying period does not vary with age, however the insured must have an annual income from work of at least half the Basic Amount (B.A, Grunnbeløpet) i.e. NOK 49,929 (€5,156). This limit does not apply during the period of mandated employer-paid sick leave (the first 16-days).

To be eligible for sickness benefits, workers must obtain a certificate of incapacity for work from a medical doctor.

Self-employed and freelancers enjoy similar access to sickness benefit as dependent workers. They don't receive sickness benefit for the first 16 days.

#### 9.1.2. *Benefit amounts*

Daily cash benefits in case of sickness for employees equal 100 per cent of pensionable income, up to a ceiling of 6 B.A. (NOK 599 148), and are paid from the first day of sickness for a period of 260 days (52 weeks). Daily cash benefits in the case of sickness are paid by the employer for the first 16 calendar days, and thereafter by the National Insurance Scheme. During the period in which daily cash benefits are paid by the employer, no minimum income level is required. The benefit does not compensate for the part of the income (if any) which exceeds the aforementioned ceiling of 6 B.A. (NOK 599 148). However, large groups of employees are entitled to have this part of their income compensated by their employers, based on collective agreements.

Sickness benefit is payable in cases where a person works part-time but it is reduced pro rata. A person previously working full-time who now works 50% because of sickness, will get 50% sickness benefit and 50% salary. The minimum amount of sickness benefit is 20%.

### *9.1.3. Benefit duration*

After a 16-day period where the employer provides sick pay, the government provides a sickness benefit for 248 workdays (52 weeks – excluding Saturdays and Sundays) for employees. The duration cannot be extended. After 26 weeks of being able to work, workers regain eligibility to receive a sickness benefit.

For sick and quarantined workers during the Covid-19 pandemic: Usually, the employer obligation is to pay salary during the first 16 days of sick leave (and the Norwegian Labour and Welfare Service pays from the 17th day forward). Under the new situation, provided that illness is connected with COVID-19, the employer period of payment obligation is reduced to 3 days with full salary and the state pays sickness benefits from day 4. Employers must be reimbursed for sickness benefits paid from the fourth day onwards for sickness absences related to COVID-19.

Employees no longer need a certificate of incapacity for work from a medical doctor for the first 16 days. This right expired on June 1st.

Self-employed and freelancers will be able to receive sickness benefit provided by the government from the fourth day of sick leave, if the illness is connected with COVID-19.

### *9.1.4. Means test*

This benefit is not means-tested.

### *9.1.5. Tax treatment*

Benefits are subject to taxation

### *9.1.6. Interactions with other components of the tax-benefit system*

It is possible to combine sickness benefit with other benefits, for example, 50% sickness benefit and 50 % maternity benefit or attendance allowance (pro rata).

Sickness benefit can also be combined with Basic benefit (grunnstønad) and Attendance benefit (hjelpstønad) from the National Insurance Scheme (folketrygden).

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

## **9.2. Mandatory employer sick pay**

### *9.2.1. Entitlement and eligibility conditions*

[No information]

### *9.2.2. Benefit amounts*

The employer pays 100% of the person's average income over the last three months.

### *9.2.3. Benefit duration*

The employer is legally obliged to pay the first 16 days of sickness benefit. After this period, the employer is not legally obliged to continue to pay. Even so, in the majority of cases the employer continue to pay wages when their employees get sick, on their own account, and they get the sickness benefit in return from the State (NAV). The obligation to pay wages during sick-leave is in these cases stated in the employment contract.

*9.2.4. Means test*

[No information]

*9.2.5. Tax treatment*

[No information]

*9.2.6. Interactions with other components of the tax-benefit system*

[No information]

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

[No information]

**10. Short-time work schemes (not modelled in TaxBEN)***10.1. Temporary lay-off scheme (Permittering)*

This scheme predates the COVID-19 crisis. It enables the firms to temporarily reduce the working time of employees between 50% and 100% (during the COVID-19 pandemic: between 40% and 100%).

*10.1.1. Entitlement and eligibility conditions*

All employees are eligible for this benefit.

*10.1.2. Benefit amounts*

Temporary laid off workers can draw benefits after a waiting period of three days. Employers are then obliged to pay salary to workers at temporary lay-offs for 15 days. After 15 days with full pay the workers are entitled to unemployment benefits in accordance to the National Insurance Act.

Temporary changes during the COVID-19 pandemic: The waiting period of three days before the claimant can draw benefits has been temporarily abolished. The number of days where the employer has the payroll responsibility for full wage compensation is reduced from 15 to 2 days (From 1<sup>st</sup> of September the payroll responsibility increases from 2 to 10 days). Temporary laid off gives a benefit which equals full wages up to 6G of income for 18 days, in addition to the two days of employer's payroll obligations (applies until the end of August). After the period of 18 days of wage compensation, the temporary laid off can be granted unemployment benefits (see section 2.1.2 for changes in the unemployment benefit). So the temporary laid off receives their full salary for 2 days, then the government pays full wage (up to 6G) from day 3-20 and after this the workers that are laid off receive unemployment benefit (if they are entitled to it).

The period of wage compensation are the same number of calendar days for fully temporarily laid off as for part time temporarily laid off.

*10.1.3. Benefit duration*

26 weeks.

Prolonged period of unemployment benefit until the end of October: Which means that temporary laid off who were about to expire the maximum benefit duration of 26 weeks per 27<sup>th</sup> of March will still receive this until the end of October.

#### 10.1.4. Means test

See 2.1.4.

Tax treatment

See section 2.1.5.

#### 10.1.5. Interactions with other components of the tax-benefit

See section 2.1.6.

#### 10.1.6. Combining benefit receipt and employment/starting a new job

See section 2.1.7

## 11. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Norway in 2019 (see figure below). TaxBEN by default produces the following output: 1) net household incomes (**black line**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (users are free to select many of these circumstances). The model and the related web calculator is accessible from the [project website](#). The figure below shows output for a two-adult family with two children (adults are both 40 years old whereas children are 4 and 6 years old respectively) and four different scenarios:

- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record (in months), for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas show the following household income components: **GROSS** = gross earnings; **UB** = unemployment benefits; **SA** = social assistance / guaranteed minimum income benefits; **HB** = housing benefits; **FB** = family benefits; **IW** = in-work benefits; **SSC** = social security contributions; **IT** = income tax. Note that these components may be the result of the aggregation of more than one benefit/tax into a composite category. Please refer to the sections above for the benefits/taxes included in each category.

Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

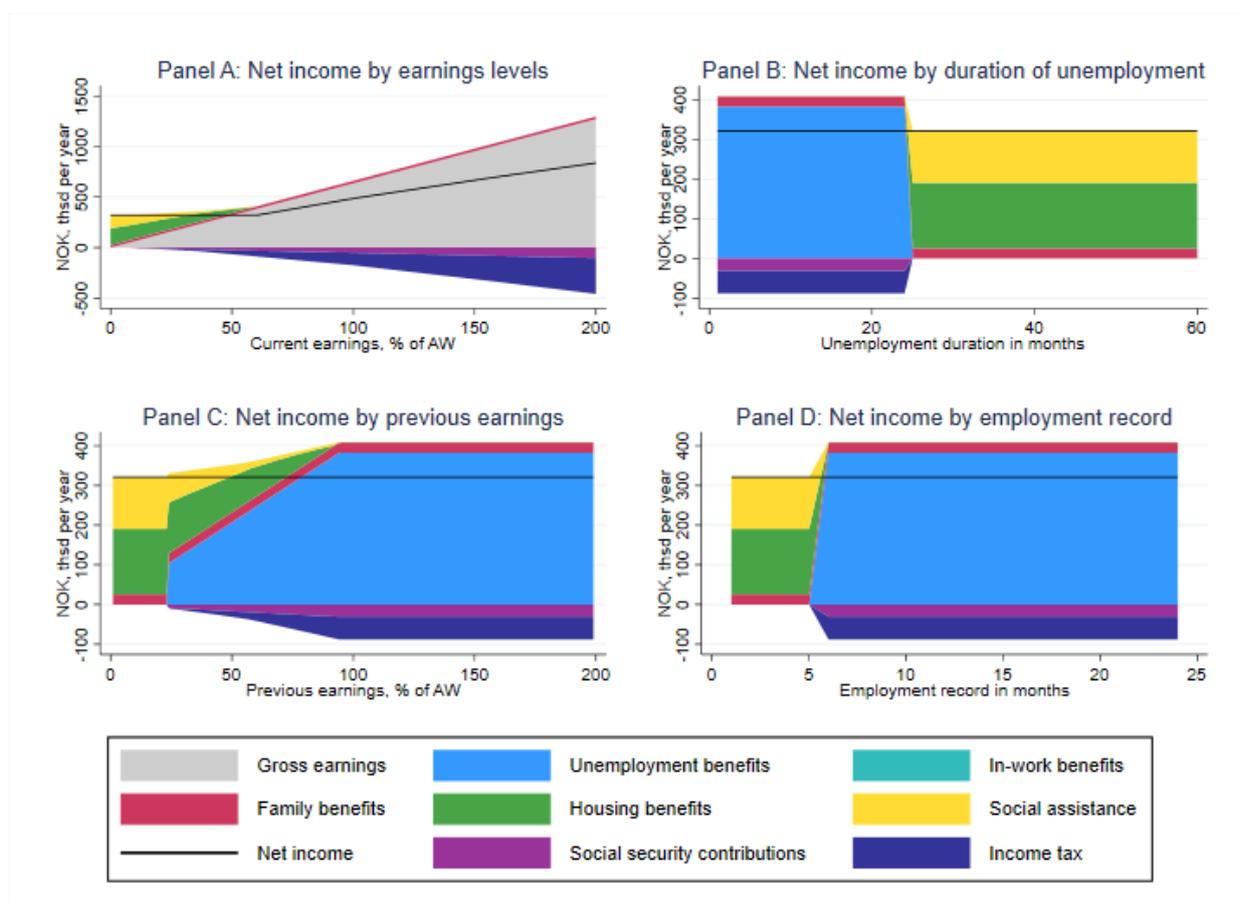
**Panel A** assumes that one adult family member (the so-called ‘second adult’ using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (the so-called ‘first adult’) is employed full-time throughout the entire year at different earnings levels ranging between 0 and 200% of the average wage (AW). When earnings of the first adult are precisely 0%

of the AW this person is assumed to be out of work without receiving unemployment benefits (again, e.g. because they have expired) but claiming social assistance or guaranteed minimum income benefits, as applicable.

**Panels B to D** assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The x-axis in Panel B measures the time of benefit receipt, starting from the first month. The x-axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2<sup>nd</sup> month of unemployment benefit receipt. In Panel B and D, previous earnings are assumed to be equal to the average wage.

**Figure 9.1. Selected output from the OECD tax-benefit model, 2020**

Couple with two children



Source: Calculations based on the OECD tax-benefit model.

## 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 288 per day for participants under 19 years, and NOK 398 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 477 per day for each dependent child under 16 years;
- Benefit to cover necessary expenses to travel;

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 22 per cent applicable to other firms.)