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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

The Norwegian population is ageing. The median age is 40.1 years and the population growth rate is 0.8% in 2022 (Data Reportal). According to the latest data by the World Bank, 17% of the population is under 14 years old and 18% is over 64 years old. On average, a household consists of 2.12 people with 40.4% of households are people living alone, and 19.11% are couples with children (2022 figures from Statistics Norway). The size of the household decreases from year to year. Women are 49.4% of the total population. About 83.7% of the population lives in urban areas while the south has a denser population due to the better climate and connectivity with Europe. Areas of concentration exist along the North Sea and at Skaggerak. The main cities are Oslo, Bergen and Trondheim. The level of education is very high in Norway with 82% of adults aged 25 to 64 have a secondary education, higher than the OECD average of 79%. Norwegians can expect to go through 18.4 years of education between the ages of 5 and 39, similar to the OECD average of 18 years. Some 67% of the working population works in the private sector and public enterprises, 20% work in municipal government, and 12% in central government (Statistics Norway, 2022). The sectors that employ the most are health, social, sales, construction, industry and education.

#### Purchasing Power

The GDP per capita PPP is approximately USD 79,201.2 (World Bank, 2021). Norwegians earn USD 55,780 per year on average, more than the OECD average of USD 49,165. The purchasing power of Norwegians, which is among the highest in Europe, is slightly down, as the rise in wages has not offset inflation. Norway's Purchasing Power Parity per GDP per capita index value was 163 points for 2021. This value has an average of 100 points in European countries, showing that Norway is ahead of them. In Norway, the average household net adjusted disposable income per capita is USD 39,144 a year, higher than the OECD average of USD 30,490. Norway is ranked second in terms of actual individual consumption per capita in Europe. Norway consumption level is 25% above the EU average. Norway managed to escape the worst economic impacts of the COVID-19 pandemic during 2020 as the country's response to the pandemic was more moderate than what was seen in most European countries. For this reason consumption levels, although lower, are not expected to fall sharply. The Gini index is relatively low but income inequality is increasing. According to OECD data, the gender pay gap was 4.6% in 2021, lower than the OECD average of 11.7%. Norway is the third most gender-equal country in the world (84.5%), according to the Global Gender Gap Report 2022. The trades that have the highest wages are managers while the intermediary professions, salesmen and farmers have the lowest wages.

#### Consumer Behaviour

Norway is a consumer society especially drawn to new products (new technologies). Consumers generally are willing to pay more for quality goods. Value for money matters more than low prices. Many consumers research products before buying them in stores or online. E-commerce in Norway generated revenues worth USD 7.9 billion in 2021 (ecommerceDB). The country currently has an internet penetration rate of 99% which equates to 5.43 million people (Data Reportal, 2022). Of those, 89% are online shoppers, spending an average of EUR 2,522

a year. In Norway, the most popular product category is formed by clothing and shoes. This is followed by consumer electronics and media, sports & leisure, beauty & health, furniture, and groceries and baby & toys. Consumers find both domestic and foreign products appealing. About 40% of internet purchases are products from another country (mainly China, the United States, Sweden and Germany).

Consumers are generally loyal to national brands. Online, however, more than half say they are not loyal to the seller. Social networks are used as a source of information and Facebook is becoming increasingly saturated. In Norway, Sweden and Finland, about two thirds of the population shows concern about the use of personal data by companies.

Norwegians are gradually adopting a more environmentally friendly mode of consumption. In particular, expenditure on food has decreased. Fruit and vegetable consumption is up, while meat and fish consumption is decreasing. Organic food consumption increased by 8% in 2019 and in 2020, the number of companies producing, processing and selling organic products increased by 3.73% (Organic Trade Board). Infant and child products are the most eco-labelled followed by dairy products. The second-hand market is booming, especially on the internet, for economic and ecological reasons. In 2020, the retail of second-hand goods in Norway generated a total turnover of NOK 645 million (Statista). As of 2018 (latest data available), second-hand online retail sites were used by 64% of Norwegian internet users. The products traded are furniture, followed by electronic and electrical appliances, recreational and leisure products. Norwegians generally have a positive opinion on the collaborative economy and believe that this benefits the consumer.

### **Consumer Recourse to Credit**

In Norway, the use of debit and credit cards is common and both methods of payment are accepted at most stores, hotels and restaurants. The level of household debt is among the highest in the European Union, and rising. It reaches 101.58% of GDP in 2017. Consumer credit has increased twice as fast as other types of loans. Total household debt outstanding at the beginning of 2018 is NOK 3 464 billion. Due to the strong expansion of consumer credit and related financial risks, the central bank has put in place regulations. Thus, in the coming years, the expansion should slow down.

### **Growing Sectors**

Recreational and cultural services, accommodation services, telephony, education, soft drinks, transportation services, food services, home and garden equipment, home textiles, tobacco, clothing and vehicles.

### **Consumers Associations**

[Forbrukerradet](#), National Consumer Advice

[Forbrukertilsynet](#), Consumer Authority

## **IMPORTING & DISTRIBUTING**

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### **Import Procedures**

Norway is a member of the European Economic Area (EEA) and an EFTA (European Free Trade Association) state. Through the EEA Agreement, Norway, is equal partner in the internal market, on the same terms as the EU member states. This includes having access to the internal market's four freedoms, the free movement of goods, persons, services and capital.

The Norwegian Customs Authority collects import duties and taxes on foreign goods. A commercial invoice plus a bill of lading or an airway bill are the required general import documentation. A certificate of origin is not

required unless specified. For long-term contracts or expensive shipments, an official ruling is needed.

The official model for written declarations to customs is the Single Administrative Document (SAD). The SAD serves as the EU/EEA importer's declaration. It encompasses both customs duties and VAT and is valid in all EU/EEA countries.

Non-agricultural goods entering into the territory must adhere to customs formalities. This declaration must be carried out by the person bringing the goods to the territory. In the case of non-EU goods this procedure could take:

- 45 days in the case of goods carried by sea;
- 20 days in the case of goods carried other than by sea.

For more information, please contact the [Norwegian Excise and Customs Authority](#). Check the [EU's Customs Union](#) website periodically for updates.

### **Specific Import Procedures**

Importation of certain textile items, alcoholic beverages, pharmaceuticals, fish nets and raw materials for the manufacture of nets, tobacco, arms, ammunition, live animals, animal products, fruits, vegetables and other plant parts requires additional documentation.

### **Distribution channels**

Even though Norway's consumer market is small by European standards it is attractive to foreign suppliers. According to Statistics Norway, retail sales turnover reached NOK 83.166 billion during Q1 2022, increasing by 2.9% compared to the same period in 2021. Grocery retail sales decreased by 3.9% compared to Q1 2021, reaching NOK 30.922 billion.

The retail market for groceries is characterised by a high degree of vertical integration, with wholesaling and retailing operations typically owned by the same company. When combined with the homogeneity of Norway's grocery retail sector, and the preference for known products, this has made it extremely hard for foreign companies to enter the market without local representation.

Norwegian retail trade is focused around main commercial centres, such as Oslo, Bergen, Trondheim and Stavanger. Mergers or close collaborations between two or more companies have driven the structural change over the past few years, mostly in the grocery sector. Retailers aim to enlarge their operations in order to gain more negotiating power at the expense of producers and wholesalers. Because of the small domestic market, Norwegian retailers are small compared even with other Scandinavian countries, and are not very active internationally.

Price levels in Norway are infamously high: groceries cost 50% more than the EU average. Prices of alcohol and tobacco are even higher.

### **Distribution market players**

The Norwegian distribution system is quite organised and consolidated. It is characterised by a small number of intermediaries, sensible margins, a diversity of trends and dynamic professional syndicates. Distribution chains dominate the market, and some chains have strengthened their positions by taking on the role of wholesaler as well, such as NorgesGruppen.

According to Statista, in 2020, the principal Norwegian retailers were :

- Norgesgruppen, the leader with 44.1% market share,
- Coop with 29.3% market share,
- Rema with 23.2% market share,
- Bunnpris with 3.4% market share.

Shopping centres have also had great success, with turnover steadily increasing and expected to continue in four principal zones: Oslo, Akershus, Østfold and Vestfold.

## Retail Sector Organisations

The Enterprise Federation of Norway (formerly the Federation of Norwegian Commercial and Service Enterprises)

## OPERATING A BUSINESS

### Type of companies

#### Aksjeselskap, AS (Limited Company)

**Number of partners:** One or more with no maximum.

A minimum of two directors must be appointed, one of whom must be a Norwegian or European citizen.

**Capital (max/min):** NOK 30,000

**Shareholders and liability:** Liability is limited to the amount contributed.

#### Allmenne aksjeselskap, ASA (Public Limited Company)

**Number of partners:** One or more with no maximum.

At least 3 directors, at least 2 of whom must be residents in Norway.

**Capital (max/min):** NOK 1 million

**Shareholders and liability:** Liability is limited to the amount contributed.

#### Ansvarlig selskap med delt ansvar, DA (General Partnership w. shared liability)

**Number of partners:** Two or more with no maximum.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** Unlimited, but each owner is responsible for the share of debt corresponding to his/her share of the ownership

#### Ansvarlig selskap, ANS (General partnership)

**Number of partners:** Two or more with no maximum.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** Liability is unlimited.

#### Enkeltmannsforetak (Sole proprietorship)

**Number of partners:** Only 1 person.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** Liability is unlimited.

Setting Up a Company	Norway	OECD
Procedures (number)	4.0	5.2
Time (days)	4.0	9.5

Source: Doing Business - Latest available data.

## Cost of Labour

### Minimum Wage

No minimum wage exists.

### Average Wage

According to the Statistics Norway, in 2021 Norwegians earned NOK 50,790 per year on average.

### Social Contributions

**Social Security Contributions Paid By Employers:** Employer's social security contributions are due for all employees in both the private and the public sector. The normal rate for the employer is 14.1 percent on gross earnings. The contribution is geographically differentiated according to the municipality where the work-place is.

**Social Security Contributions Paid By Employees:** An individual working in Norway is subject to Norwegian social security contributions. The employee's contribution is 8% based on gross wages. This contribution is not required when the salary is less than NOK 64,650 per year.

## Intellectual Property

### National Organisations

The Industrial Property Office

### Regional Organisations

Patent Protection: the European Patent Office

### International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

Membership to the TRIPS agreement - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

## TAX RATES

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### Consumption Taxes

#### Nature of the Tax

Value Added Tax (VAT) - MVA (Merverdiavgift)

#### Tax Rate

25%

## Reduced Tax Rate

A 15% rate applies to food and beverages (excluding alcohol and tobacco, and supplies in restaurants).

A 12% rate applies to domestic passenger transport, hotel accommodation, museums and galleries, amusement parks and cinema tickets, sports events, television licenses, and big sports events.

Certain goods and services are zero-rated, including exports, supplies to foreign ships and aircraft and ships involved in foreign trade, books and newspapers, the transfer of a business as a going concern, and international transportation services.

## Other Consumption Taxes

Customs duty is imposed on several items, particularly on agricultural products, meat and certain textiles and clothing. **Excise duties** are imposed on alcohol, tobacco, motor vehicles, mineral oil products, electricity, waste, dangerous chemicals, chocolate, sugar and related products, beverages, beverage packaging and food production. Certain services are also subject to excise taxes, including: registration and use of vehicles, Emissions of NOx, sale of electricity, and flight passengers.

A NOK 0.013 per kWh natural resource tax applies to hydropower activities, based on one-seventh of the produced kWh for the income year in question and the six previous years.

Power production is subject to an excise duty (often called “high-price contribution”). The duty is calculated on the average price of electricity per month in excess of NOK 0.70 per kWh at a rate of 23%.

## Corporate Taxes

### Company Tax

22%

### Tax Rate For Foreign Companies

Foreign companies with their effective management and control in Norway are treated as residents for taxation purposes. To determine whether the effective management of a company is in Norway, conditions such as where the board of directors meets or where daily management decisions are taken can be considered.

### Capital Gains Taxation

Capital gains derived from the sale of depreciable and non-depreciable business assets, immovable property and securities are included in income for corporate tax purposes and taxed at a flat rate of 22%.

Gains from the sale of securities are included in taxable income and are subject to an effective tax rate of 37.84% (the increase took effect as of 6 October 2022, the rate was 35.2% before).

Gains resulting from real estate transactions are taxed, regardless of whether they are incurred in connection with business activity.

### Main Allowable Deductions and Tax Credits

Ordinary business expenses are generally deductible: research expenditure, depreciation (it is mandatory to capitalise an asset that has a value of NOK 15,000 or higher and has an economic life of at least three years), social security payments, losses as well as interest and royalty payments. In general, start-up expenses are deductible, provided that the costs are borne by the company. Donations to certain charitable institutions are tax-deductible (capped at NOK 25,000, with a minimum donation of NOK 500 per charity). Royalties and service fees paid to related foreign companies are fully deductible if they meet the arm’s-length principle. Entertainment

expenses and anticipated losses, as well as fines and penalties, are non-deductible. Real estate tax and foreign income and capital taxes paid are deductible from the corporate income. Bad debts are tax-deductible when they are clearly irrecoverable or realised and sufficiently connected to the business. Acquired goodwill may be amortised according to the declining-balance method at a maximum of 20% per annum.

Losses may be carried forward indefinitely. Carryback of losses is permitted for losses incurred in the year of ceasing business (up to two years).

### **Other Corporate Taxes**

Other taxes include CO2 tax (calculated on petroleum that is flared and on natural gas emitted into the air and on installations used for production or transportation of petroleum), petroleum revenue tax, stamp duty on the deed of transfer of ownership (2.5%) and real estate tax (ranges from 0.1% to 0.7% of the estimated value of the property, generally lower than the market value, across municipalities). Social security contributions paid by the employer vary by region, from 0% to 14.1%. An additional employer's contribution of 5% is imposed on wages exceeding NOK 750,000. Specific rates (a maximum of 11.1%) apply to income from self-employment and remuneration for work performed by partners in partnerships.

Entities within the financial services sector are usually subject to a special payroll tax. The tax rate is 5% and shall be calculated on the wage base. The tax is payable by companies where the employees spend more than 30% of their time on VAT-exempt financial services.

Some institutional holders - including mutual insurance companies, taxable pension funds, self-owned finance institutions, savings banks, co-operatives, and mortgage credit associations - pay a 0.25% net wealth tax.

In certain cases, an exit tax calculated by reference to the accrued but unrealised gains at the time of migration is levied at a rate of 22% upon the migration of assets or liabilities.

A NOK 0.013 per kWh natural resource tax applies to hydropower activities, based on one-seventh of the produced kWh for the income year in question and the six previous years.

Power production is subject to an excise duty (often called "high-price contribution"). The duty is calculated on the average price of electricity per month in excess of NOK 0.70 per kWh at a rate of 23%.

### **Other Domestic Resources**

[Norwegian Tax Administration - Skatteetaten](#)

### **Double Taxation Treaties**

#### **Countries With Whom a Double Taxation Treaty Have Been Signed**

[See the list of Tax conventions signed between Norway and other states.](#)

### **Withholding Taxes**

Dividends: 0% (resident companies and individuals)/25% (for distributions to shareholders resident outside the EEA and to non-resident individuals); Interest: 0% (resident companies and individuals)/15% (on payments made to certain related companies domiciled in low-tax jurisdictions); Royalties: 0% (resident companies and individuals)/15% (on payments made to certain related companies domiciled in low-tax jurisdictions)

