



Doing business

between

Iceland & Norway

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INTRODUCTION

As Nordic countries with a common heritage, Iceland and Norway share many characteristics that make them attractive when it comes to choosing a place to start a business.

For these seafaring nations, seafood and fishing are important industries. They also have strong energy sectors, with Iceland's hydropower and abundant geothermal energy and Norway's oil, natural gas and hydropower. Both countries are parties to the Paris Agreement on combating climate change and strong supporters of the United Nations' Sustainable Development Goals. They share a focus on creating a sustainable business environment and have both introduced incentives to think green.

Iceland and Norway share the rich history of the Nordic region, as well as common culture and values. They are thriving modern societies and enjoy a good quality of life with high literacy and low crime rates, favourable work-life balance and spectacular nature. Ranking consistently high in the United Nations' Human Development Index, Iceland and Norway are among the easiest countries in the world to start a business, according to the World Bank.

Iceland and Norway are progressive, democratic nations and free-market societies that operate under a European legislative framework. They are both members of several regional and international organisations, including the World Trade Organisation (WTO), European Economic Area (EEA), European Free Trade Association (EFTA) and Organisation for Economic Co-operation and Development (OECD). Both countries are part of the Schengen Area that have officially abolished all types of border control at their mutual borders.

doing business in Iceland

facts

- Population 364,000
- 103,000 km² island in the North Atlantic
- The westernmost country in Europe and has the northernmost capital in the world
- Tourism, information technology, renewable energy, sea-tech and life sciences are growing sectors in Iceland

ESTABLISHING A BUSINESS IN ICELAND

The procedure for establishing a business in Iceland is simple. When establishing a business entity in Iceland, you are required to apply for a VAT ID number at the Directorate of Internal Revenue (RSK). Widely used business structures in Iceland include sole proprietorship, private limited company, public limited company, partnership, and branch of a foreign company. Freelancers can establish a business entity to reduce costs.

As members of the common European market through the European Economic Area agreement (EEA), Iceland and Norway both welcome foreign direct investment. In most cases, residents and entities from within the European Union and European Free Trade Agreement (EFTA) countries enjoy the same rights to invest as nationals of both countries.

doing business in Norway

facts

- Population 5,367,000
- Land borders with Sweden, Finland and Russia with a 103,000 km coastline
- The largest number of fjords in the world – over 1,000
- Renewable energy, cleantech, aquaculture and biotechnology are growth industries

ESTABLISHING A BUSINESS IN NORWAY

Companies in Norway must be registered through the Brønnøysund Register Center. Foreign businesses that require a Norwegian organisation number can register a branch in Norway as a Norwegian registered foreign business (NUF). Professional consultation is advised. The most common business structure is a private limited liability company (AS). Other possibilities are sole proprietorship, general partnership (ANS/DA) and co-operatives (SA).



doing business in Iceland

FOREIGN DIRECT INVESTMENT

The Icelandic Government welcomes foreign direct investment as a source for the continued growth and increased diversification of Iceland's economy. There are many options available for public and private financing, including access to funds and grants. Invest in Iceland is a one-stop information centre and the first point of contact for foreign investors.

A favourable business environment has been established in Iceland with generous incentives for R&D, low corporate tax, available industrial sites around the country, efficient administration, a European legislative framework, and affordable 100% green energy. Foreign experts hired to work in Iceland receive personal tax incentives. Film and TV producers can apply for a 25% reimbursement of all production costs in Iceland. For start-ups and SMEs, regional development agencies offer their assistance with starting a business in Iceland.

RESTRICTIONS

A person who lives in an EU/EEA or OECD member country may run a business or take part in a business enterprise in Iceland with unlimited liability. Sector-based restrictions are in place regarding fishing operations, the energy and transport sector, and some restrictions apply to the import of foods, animals and plants.

doing business in Norway

FOREIGN DIRECT INVESTMENT

A first point of contact for foreign investors is the Norwegian government's Invest in Norway scheme, which links investors with good investment opportunities. Foreign workers who are temporary residents of Norway pay a 25% 'pay as you earn' tax (PAYE), which simplifies taxation and eliminates the need to file a tax return.

As members of the EEA, Iceland and Norway adhere to European State Aid rules, which allow regional incentives for new direct investment in defined areas.

RESTRICTIONS

Under certain conditions mergers and acquisitions must be approved by the Norwegian Competition Authority. Furthermore, any investment of over 1/3 of shares in companies of important national security interest has to be reported in line with the Security Act. Importers of goods must clear customs and pay excise duties. Certain products are subject to restrictions.

doing business in Iceland

TAXES IN ICELAND

Limited liability companies and limited partnership companies in Iceland are subject to a 20% tax rate. The tax rate for other corporations is 37,6%. Capital gains tax is 22% and VAT is 24%, with a reduced rate 11% for various categories of goods and services. Innovation companies get 25-35% of actual R&D cost reimbursed in the form of tax credits. Employees and employers must pay premiums to pension funds, and employers pay 6,35% of the employee's wages in payroll tax.

CORPORATE SOCIAL RESPONSIBILITY /// Norway and Iceland expects its' companies to fully aligning their operations and strategies with the ten universally accepted UN Global Compact principles in the areas of human rights, labour, environment and anti-corruption.

FINANCIAL REPORTING & AUDITING

Companies operating in Iceland must submit annual accounts that comply with Icelandic tax law and standard EU rules and disclosures. Limited companies must elect an auditor or inspector and have annual accounting audits. For public limited companies, a state-authorized public accountant must perform a full-scale audit. Publicly listed companies must elect two auditors, one of whom must be a state-authorized public accountant.

doing business in Norway

TAXES IN NORWAY

Companies in Norway are subject to a 22% corporate tax on net income. Incorporated companies in Norway are not subject to wealth tax on net assets. Employers must pay employer contributions on their employees' gross remuneration, including benefits in kind and pension contributions. The general rate is 14,1%, but some regions have lower rates. Rates range from 0-14,1% depending on location. An R&D incentive scheme called SkatteFUNN offers a 20% tax credit for R&D costs up to NOK 40 million per year. The normal-VAT rate is 25%.



FINANCIAL REPORTING & AUDITING

Companies must prepare annual accounts in accordance with the provisions of the Accounting Act and associated regulations, as well as generally accepted accounting practices. For small enterprises, simplified rules apply.

doing business in Iceland

WORKFORCE & OBLIGATIONS

Icelandic workers are known for their flexibility and adaptability. They are highly skilled and educated and can fulfil many tasks and roles. Most Icelanders speak fluent English and many also speak a Scandinavian language and either German, Spanish or French. The regular working week is 36-40 hours. Strong unions and the government ensure that workers are entitled to sick leave, parental leave, and a written contract.



PLANNING AND BUILDING IN ICELAND

Since Iceland introduced the EU Directive on Environmental Impact Assessment (EIA), the harmonized application process means that building companies can apply for building permits at the same time as zoning permits and the EIA.

doing business in Norway

WORKFORCE & OBLIGATIONS

Norwegian business culture is based on Nordic work values such as equality. Flat organizational structures and informal communication are the norm. The high level of trust between citizens and authorities, employees and employers, and business partners means that workers are empowered to take responsibility and initiative. The result is a workforce that is productive, competent and motivated.

Employers with two or more employees whose working hours and salary are 75% and above must provide a pension scheme. The minimum pension rate is 2% of gross salary. Contracts must be issued in writing for employment engagements of more than one month in total. As a general rule, employment engagements must be permanent although it is accepted that temporary engagements are sometimes necessary. The regular work week is 37,5 hours, but this can be exceeded within limits, if employer and employee agree.

PLANNING AND BUILDING IN NORWAY

Construction projects in Norway must follow a well-defined set of rules that correlate to the [EU directive on Environmental Impact Assessment \(EIA\)](#). Planning processes may concern municipal, regional and national levels of government, as well as other affected parties.

DISCLAIMER /// This guide does not provide exhaustive information on starting a business in Iceland or Norway, but it aims to provide basic information and links to further information on relevant topics. It might be required to consult the responsible governmental agencies or legal expertise on certain issues.

ILLUSTRATIONS /// Brand Norway



Embassy of Iceland
Oslo



Norwegian Embassy