



Skatteetaten

Annual Report 2008



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Introduction



The reorganisation process that the Norwegian Tax Administration implemented on 1 January 2008 is the agency's most comprehensive reorganisation ever. It affects all employees and all entities in the agency. In my opinion, the reorganisation has been successful so far, and it has been carried out with a high degree of involvement from and in close cooperation with the employee representatives. The organisation solution is forward-looking and opens up new opportunities, although putting it into practice is a demanding process. It will take some time before all the desired effects can be realised, even though we have made important progress in 2008. I would particularly like to draw attention to our increased efforts in guidance, including the new Tax Hotline (Skatteopplysningen) information service, good control results and efficient tax assessment work. This reorganisation has, however, been more demanding and entailed higher resource consumption than we expected. The general public has felt the effects in the form of longer case processing times in certain areas. We cannot be satisfied with our results in

these areas, although they can be explained by special circumstances in 2008.

In our reorganisation process, we opted to move tasks rather than move employees. This meant that more than half our employees were given new or partly new work tasks, and that created a need for expertise development. Nationwide competence to make decisions has paved the way for a more flexible division of tasks and improved utilisation of resources. The new organisation strengthens the regional offices. For example, 316,000 personal taxpayers from Oslo were processed by Tax Norway North and Tax Norway Central Norway. In the long term, all personal taxpayers from Oslo will be assessed outside of Tax Norway East. National functions have been established in several locations around Norway for a number of fields, both in our core areas and in administration.

Many people submitted their tax returns online, and many more than expected used the new submission exemption scheme. The new online service for sole proprietorships was also well received. The use of our online solutions continue to grow, and the users are well satisfied. We are and will continue to be a driving force in the work to modernise public services by, among other things, introducing online services. For example, PIN codes that give access to several public services were sent as letters instead of being printed on the tax deduction cards and tax returns in order to ensure a more secure log-on for public services online.

The reputation of the Norwegian Tax Administration is important to our opportunity to carry out our social task in a good manner. The subjective risk of detection and the way in which the taxpayer is met by the Tax Administra-

tion contributes to our reputation.

In 2008, more than 1.5 million users visited the tax offices, which after the reorganisation cover all the agency's areas of expertise. The new tax information service, the Tax Hotline, is a great success. It is a user-oriented, uniform and geographically independent service which provides the same services to everyone. In 2008, the Tax Hotline answered nearly 2.5 million calls to one single, free, national phone number. In 2009, the Tax Hotline will take over responsibility for a separate information service aimed at professional users.

A handwritten signature in black ink, appearing to read 'Svein R. Kristensen'. The signature is fluid and cursive, written on a white background.

Svein R. Kristensen

Social responsibility

Our social responsibility

The Tax Administration's vision is a society in which everyone is willing to pay their dues. It is the taxpayers' responsibility to comply with the regulations. The Tax Administration's job is to help them do this by means of expedient use of information, guidance and control, and by making it easy to do the right thing.

The Tax Administration's main tasks are to ensure that direct and indirect taxes are stipulated and collected in the proper manner, and that Norway has an up-to-date population register. The agency's activities form the primary financial foundation for public activities. This social task requires legitimacy. Society must trust us to solve our tasks in a manner which also takes into consideration other important social goals, including information security, settlement and the environment.

The new Tax Administration

The year 2008 was a special year for the Tax Administration. The agency is undergoing its greatest reorganisation ever. From 1 January 2008, all tax assessment offices, tax collector's offices and county tax offices were replaced by tax offices. This means that the taxpayer will relate to a single point of contact instead of three. The tax offices are organised in five regions under the Directorate of Taxes, each headed by a regional director. Each region is divided into five functions: Guidance, assessment, control and application of the law, tax crime and collection. This enables us to gather professional expertise in larger, sustainable expert milieus. The division of tasks by criteria other than geography enables us to use the available expertise to the fullest through increased specialisation, among other things. During 2008,

a number of national expert milieus were established, including a separate entity for co-operative societies in Steinkjer and one for assignment of personal ID numbers in Hammerfest.

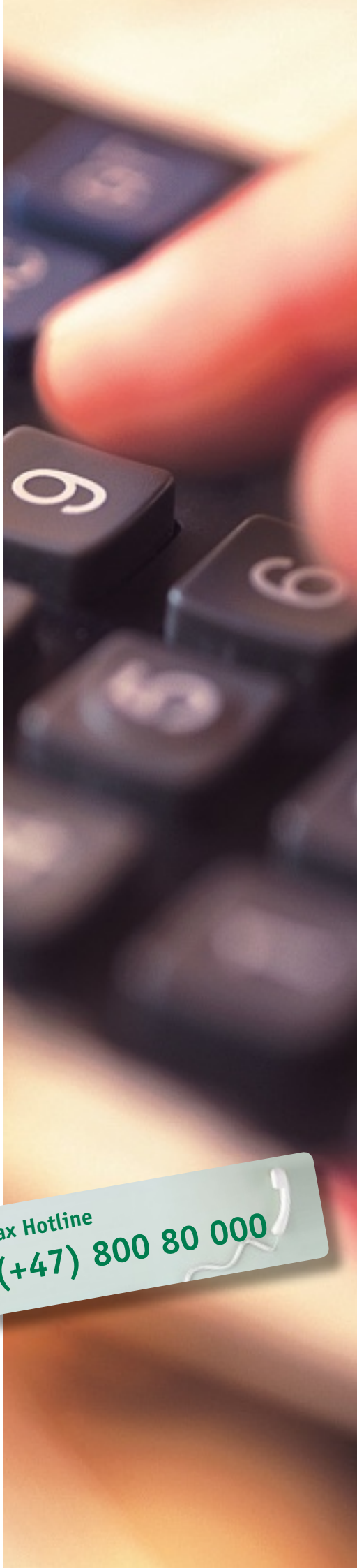
Service and courtesy

The Tax Administration wishes to make it easy to do the right thing. Guidance, availability and service are important elements in achieving this goal. From 1 January 2008, the agency has one common phone number for all our switchboards and our new information service: the Tax Hotline on (+47) 800 80 000. The purpose is to provide good and uniform service. The Tax Hotline information service will also, through its first-hand knowledge of the requirements of the general public, help improve the agency's overall information and communication work to help make the public more self-sufficient. We have established a separate phone service for professional users such as auditors, accountants and lawyers.

In the tax regions, taxpayers are given good service at the tax office counters. A total of 1.5 million people visited tax offices in 2008. More time and resources are also spent on the provision of guidance outside the offices. More and more often, the Tax Administration comes to people where they are with information and guidance. This is particularly common during the tax return season, when Tax Administration employees can be found in shopping centres and other places where people meet in the local community.

The Tax Administration in the media

The Tax Administration's activities and areas of expertise are often mentioned in the media. It is particu-



Tax Hotline
(+47) 800 80 000

larly the results of control activities that attract the media's attention, as well as information about regulations and schemes, for example in connection with tax returns. Tax havens and hidden assets were also a much-discussed topic in 2008.

There were a few unfortunate incidents in autumn 2008 which resulted in negative media exposure and caused limited damage. The incidents triggered an extensive review of our internal process descriptions and quality assurance procedures.

The media work has been strengthened in 2008 after the regions hired their own public relations officers.

User service

The general level of service provided to taxpayers has improved significantly in 2008. This applies first and foremost to the areas of information and guidance. Unfortunately, taxpayers experienced longer case processing times than they have been used to for a number of case types in 2008. This is due to a temporary drop in production caused by the great reorganisation process that the Tax Administration implemented in 2008.

During this reorganisation, separate guidance entities were established at the tax offices. This has made it easier for citizens to find help without having to relate to the Tax Administration's organisational structure. They can now contact any tax office and receive help regardless of whether their questions relate to tax matters, the population register, inheritance or value-added tax.

The users' opinions

A user survey on wage earners and pensioners' opinion of the Tax Administration was carried out in 2008.

This is the fourth such user survey since 1999, and it shows a stable positive development for the agency. The main findings are that two out of three people still have a good impression of the Tax Administration, and that this level has not changed since 2004. The internet is the most widely used information channel for tax matters in general. The amount of contact with the Tax Administration increases and e-mail and the internet are growing channels of communication, but personal contact and phone calls are still the primary channels used.

Users' perception of how accessible the tax offices are depends on the form of contact. People who have had personal contact report the best perceived accessibility. The levels of user satisfaction are high, and satisfaction has increased compared with 2006. The satisfaction with case processing is also high, but satisfaction with adequate information and case processing times has fallen since 2006.

The Tax Hotline (+47) 800 80 000

The Tax Hotline was introduced on 1 January 2008, providing the general public with an easier way of contacting the Tax Administration in the form of one single, free phone number. People are given guidance over the phone in all activity areas. They can also order forms, transcripts of various certificates and make changes to their tax deduction cards.

The Tax Hotline is a user-oriented, uniform and geographically independent service which provides uniform services to everyone who contacts the Tax Administration.

A user survey carried out in December 2008 showed that more than two thirds of users were highly satisfied with waiting times, the consultants' level of knowledge and their capability and courteousness.

The Tax Hotline is a national entity with 300 employees divided between eight office locations. Its head office is in Leikanger. The tax regions provide the Tax Hotline with resources during peak periods and when expert assistance is required.

The Tax Hotline answered almost 2.5 million calls in 2008. During the tax return season in April 2008, they answered almost half a million calls. The average waiting time for the year as a whole was two minutes and four seconds. In the event of a telephone queue, the caller can choose to be called back by the Tax Hotline without losing his or her place in line. Nearly 330,000 callers used this opportunity in 2008. User surveys show that the users are very satisfied with the service.

The service is open from 08.00 to 15.30, and has longer opening hours in the peak periods of April and December.

Answered calls to the Tax Hotline

	<i>Total no of calls</i>	<i>Caller hung up</i>	<i>Calls answered</i>	<i>Percentage answered</i>
First quarter	845 213	195 165	650 048	76.9 %
Second quarter	929 088	105 676	823 412	88.6 %
Third quarter	572 309	104 270	468 039	81.8 %
Fourth quarter	588 516	78 278	510 238	86.7 %
Total	2 935 126	483 389	2 451 737	83.5 %



Service Centre for Foreign Workers

Tax Assistance

The Tax Administration has also established the Tax Assistance (Skattehjelpen) scheme in 2008. This scheme targets taxpayers who have for some reason been unable to comply with the regulations and who have therefore got off on the wrong foot. The objective is to help these taxpayers solve their problems with the tax authorities if possible. The Tax Assistance scheme operates activities in prisons and other institutions, but in many cases they are approached by the taxpayers themselves, lawyers, social security offices etc. The Tax Administration sees a great need to handle this type of cases in a good way. In 2008, the agency has helped more than 200 taxpayers to correct old mistakes. These cases are demanding. Many preventive measures have been carried out in relation to groups at risk to prevent cases from developing in an unfortunate direction.

The Service Centre for Foreign Workers

2008 was the first year of ordinary operations for the Service Centre for Foreign Workers. The Centre in Oslo was opened in autumn 2007, and it was established as a result of cooperation between the Police, the Directorate of Immigration, the Labour Inspection Authority and the Tax Administration. The Service Centre has been a success from the start, and it had 72,322 visitors in 2008. Of these visitors, 37,100 visited the Police, 29,522 visited the Tax Administration, and 5,699 the Labour Inspection Authority. This rush of visitors shows that there has been a great need for common solutions for several public agencies.

Electronic administration

The use of online services has increased again in 2008. Self-employed persons increased their use of the Tax Administration's online services in

2008. More than 85 per cent of tax returns and 75 per cent of VAT statements were submitted online in 2008.

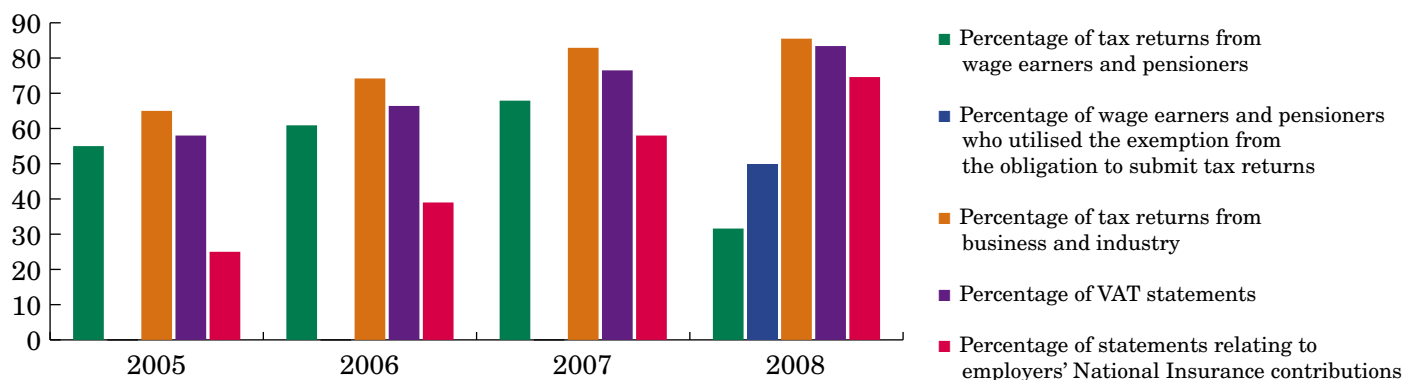
An electronic tax account has been created which the self-employed persons can access to follow their outstanding VAT balance in relation to the state. In 2008, the tax account was accessed 192,000 times.

The introduction of exemption from the obligation to submit tax returns for wage earners and pensioners who have no changes to make reduced the number of tax returns submitted online by one million. A total of 290,000 tax returns for self-employed persons were submitted online, which equals 80 per cent of the target group. In addition, 213,000 tax returns for taxpayers required to pay in arrears were submitted online. This accounts for more than 88 per cent of the total number of tax returns submitted.

Online submission

	Number of online submissions 2007	Online submissions 2007	Number of online submissions 2008	Online submissions 2008
VAT statement	1 093 239	74.7 %	650 048	76.9 %
Tax return for self-employed persons and companies	419 000	78.4 %	489 000	85.5 %
Share register statement	164 000	89.5 %	184 189	92.9 %
Employers' payment records for National Insurance contributions and payroll withholding tax	327 000	54 %	699 000	73 %
Certificates of Pay and Tax Deducted*	70 000	28 %	114 000	52 %
Tax deduction cards and tax exemption cards	556 000	55.6 %	644000	57.8 %
Tax returns for wage earners and pensioners	2 203 000	65 %	1 082 000*	31.6 %
Notifications of change of address	140 000	38.8 %	153.000	45 %

* Number of employers who submitted via altinn.no



Approximately 114,000 employers submitted 1.1 million Certificates of Pay and Tax Deducted via the Altinn web portal in 2008. The largest employers still submit electronic statements in file format to the Tax Administration rather than using Altinn for reasons of limited capacity.

A total of about 4.9 million main forms were transported via altinn.no in 2008. The Tax Administration's share accounted for approx. 90 per cent of



this figure. The altinn.no portal has been well received by users, and several of the services are used by more than 75 per cent of all potential users. Online submission figures for the 'Alminnelig omsetningsoppgave' VAT form for the fifth term approached 86 per cent. E-invoicing for VAT was introduced in 2008. The goal of avoiding sending invoices and payment forms to users of Altinn was thereby achieved.

The Tax Administration's services available from three websites

The user survey carried out in spring 2008 showed that the internet is the primary communication channel for users who have questions relating to taxes, either www.skatteetaten.no or other websites. In 2009, we registered 5.7 million unique visitors to www.skatteetaten.no. International webpages in English, Polish and Norwegian were developed in 2008.

The Tax Administration participates in collaborative projects with the Ministry of Government Administration and Reform, the Agency for Public Management and eGovernment and the Brønnøysund Register Centre, among others, to develop basic infrastructure for new online services. The Tax Administration also participates actively in the work on minside.no (MyPage). The following Tax Administration services became available on minside.no in 2008: tax deduction cards, notification of change of address, tax returns and tax settlements.

The Tax Administration's services contribute strongly to the use of minside.no. In 2008, the website registered 72,000 hits relating to changes to tax deduction cards, 33,000 hits relating to notifications of change of address and more than 250,000 relating to tax returns and display of

tax settlements. Eventually, all our services to the general public produced via altinn.no will become available from minside.no. In collaboration with minside.no, PIN codes that give access to several public services were sent as letters instead of being printed on tax deduction cards and tax returns.

High-quality National Population Register

The Directorate of Taxes gave Statistics Norway the task of examining the quality of the information in the National Population Register.

The survey was carried out during the first quarter of 2008, and comprised about 24,000 persons in the age group 15-74 years. The survey showed that 95 per cent of the respondents were registered in the National Population Register with their correct and complete residential address, while 0.5 per cent of the respondents' addresses contained minor errors and 1.6 per cent had moved since the survey began. This survey showed that the most common reason of incorrect addresses is that some people do not submit a notification of change of address when they move. Men aged 20 to 24 years fail to comply with their duty to give such notification to a greater extent than other groups.

Many have still not reported their dwelling numbers to the National Population Register. The dwelling number is part of the official address of flats in houses with more than one dwelling and indicates which flat in the building the person in question lives in. In 1999, the Norwegian Parliament, the Storting, decided that

all flats – and most detached houses – must have their own addresses. The dwelling number gives the flat a unique address, and the dwelling numbers in the National Population Register enable ambulances, police and the fire brigade to find their way more quickly. There were successful campaigns in both Oslo and Bergen in 2008 to encourage more people to register their dwelling numbers with the National Population Register. The result was that the national degree of coverage rose to 87 per cent. In Oslo, it rose from 67 to 84 per cent and in Bergen from 80 to 88 per cent.

Tax collection

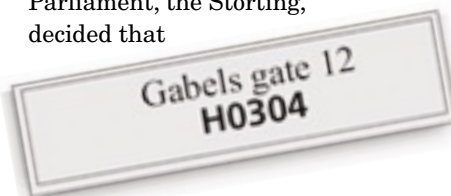
The new tax collection system Sofie was introduced all over Norway in 2008.

This means that tax collection is done using one common system for all municipalities, and that modern national tax accounts have been established. This has provided the tax collectors with an improved and more effective tool in their tax collection work. This system helps to provide efficient work support and rationalise tax collection.

A year of reorganisation

The year 2008 was a year of reorganisation. The new organisational model for our activities was implemented on 1 January, and the reorganisation period runs until 31 December 2009. This is the Tax Administration's greatest reorganisation ever, and a considerable reform in the field of Norwegian public administration. This reform is very important to the general public as well as to business and industry.

Starting on 1 January 2008, the Tax Administration is organised as tax offices divided into five regions. Tax assessment offices, tax collector's



offices and county tax offices were united in one regional organisation: the tax office.

The tax office processes cases for the whole country in all our activity areas. For those liable to pay taxes, this means that there is one point of contact to relate to instead of three, and that they can contact any tax office in Norway.

The internal regional organisation is based on a value chain-oriented function model. The regions are organised into five areas of expertise: guidance, assessment, control and application of the law, tax crime and collection, in addition to management and administration functions.

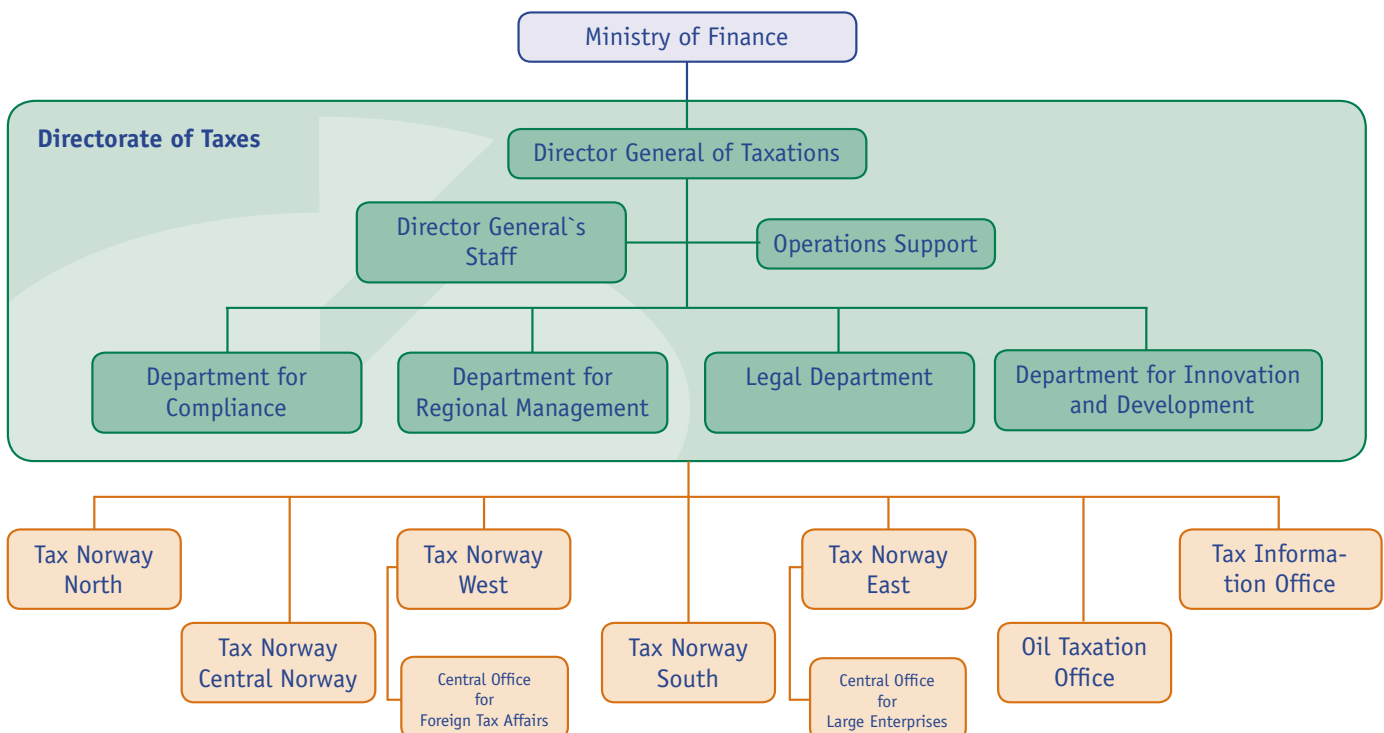
The Tax Hotline has also been established as a national guidance service, and a single phone number for the Tax Administration was introduced.

One of the goals of the reorganisation is to gather expertise to develop larger and more robust expert milieus. This is achieved by means of specialisation and the establishment of specialist offices for the whole region and country, among other things. The Tax Administration has positive experience of this from the Central Tax Office for Large Enterprises and the Central Office – Foreign Tax Affairs. These offices have developed into highly qualified expert milieus in their fields. The division of population register work, inheritance tax processing, work relating to the register of taxpayers and VAT statement processing into separate entities in the tax offices is one example of specialisation to create larger expert milieus. The processing of appeals has also been gathered in a small number of formal entities. Among other things, a national specialist office has been established for the processing of all co-operative societies, and one office assigns

personal ID numbers for all of Norway. This specialisation results in more uniform decisions for the country as a whole. The newly established entities will create a need for expertise development during a transitional phase, but once the basic expertise has been established, the tasks in these areas will be carried out with higher quality and lower resource consumption than before.

Good cooperation with the Civil Service unions is an important prerequisite for a successful reorganisation, and this has been emphasised throughout the process.

The model selected involved moving tasks rather than persons. This resulted in many employees being given new tasks which require new knowledge. This was a demanding process which increased job pressure on many of our employees. The Directorate of Taxes is highly satisfied



with the efforts made and the loyalty to the work tasks demonstrated by the employees during this first year of reorganisation.

The Directorate of Taxes was also reorganised from 1 January 2008. The purpose of this reorganisation was to reinforce the effects of the regional organisation, improve cooperation between the regional and central levels, and to rationalise the Directorate's activities. The new organisation of the Directorate of Taxes is based on the need to separate the Directorate's strategic functions from its production and facilitation tasks. In order to achieve this, most production tasks have been gathered in the new operating organisation, the Tax Administration's IT and Service Partner. The Directorate's strategic tasks are carried out by specialist entities in the fields of regulations and development of law, compliance, innovation and development and regional management.

We collected NOK 748 billion

Changes in revenue from direct and indirect taxes are primarily the result of cyclical trends, major changes to taxation schemes and fluctuations in oil production. The Tax Administration helps to make people and enterprises comply with regulations through a range of measures.

The Tax Administration levied taxes in the total amount of NOK 748.3 billion in 2008, up by 10.4 per cent from NOK 737.9 billion in 2007.

The moderate increase is primarily due to a decrease of NOK 31.5 billion in taxes from petroleum activities.

There has been a total increase in income and wealth tax revenue of 12.2 per cent from 2007 to 2008, somewhat higher than the increase from 2006 to 2007. This increase is assumed to be related to the general economic boom period, wage growth and the good labour market.

From 2007 to 2008 the revenue from wage earners and pensioners increased by 11.5 per cent. The revenue development is connected to the labour market development (employment and pay), tax rule amendments and deductions, among other things. The increase from 2007 to 2008 is assumed to be related to the general economic boom period, wage growth and the good labour market. Unemployment was further reduced during the income year 2007. For Norway as a whole, employment increased by 4.0 per cent between the fourth quarter of 2006 and the fourth quarter of 2007 (Statistics Norway).

According to Statistics Norway, new work immigrants contributed strongly to this growth, but there was also growth in other, more well-established immigrant groups. In addition, employment among elderly employees increased compared with 2006.

More people liable to surtax

The number of taxpayers liable to pay surtax increased by 18 per cent from 2007 to 2008, and the taxable net wealth increased by 19 per cent. This is assumed to be connected with the general economic boom period. A ten per cent increase in the tax value of real property and a change in valuation of shares and other securities from 80 to 85 per cent of their market value also contributed.

For companies excluding oil companies, revenue has increased from 2007 to 2008 (12.3 per cent), but this increase was smaller than the increase from 2006 to 2007. In this field too, the increase from 2007 to 2008 is assumed to be connected to the general financial boom period. Corporation tax has fluctuated strongly from year to year, and its development is highly sensitive to the outcome of individual cases, investments and certain companies' accrual accounting.

Tax revenue

<i>NOK billion</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Total taxes levied	666.6	737.9	748.3
Tax on income/ wealth	241.5	266.5	298.9
Petroleum tax	184.7	217.8	186.3
National Insurance contributions	67.0	71.8	78.7
Employer's National Insurance contributions	95.3	103.1	105.5
Value added tax	76.0	76.3	76.9
Inheritance tax	2.1	2.4	2.0

Taxes divided by taxpayer groups

<i>NOK billion</i>	2006	2007	2008
Stipulated by tax assessment	493.3	556.0	563.8
Taxpayers required to pay in advance (wage earners, pensioners and self-employed persons)	263.2	276.5	308.2
Companies, excl. oil companies	45.4	61.7	69.3
Oil companies	184.7	217.8	186.3

The 2008 tax assessment stipulated taxes totalling NOK 563.8 billion. Of this amount, 308 million came from personal taxpayers, while less than 70 billion came from companies other than oil companies.

Petroleum tax revenue has fallen by 14.5 per cent compared with 2007. The development in total tax from activities on the Norwegian continental shelf is highly dependent on the development of oil prices and the exchange rate of US dollars. Other factors that influence tax revenue include the production volume and deductions for investments. The total production of petroleum in 2008 was reduced by approx. 4.3 per cent compared with 2007. Investments in the petroleum sector increased in 2008. These investments must be expected to result in increased future sales income for the companies, after first having caused a reduction in taxable income through investment-based deductions.

High employment levels and wage growth are also assumed to be important causal factors for increases in

National Insurance contributions and employers' National Insurance contributions.

There was a small increase in value added tax from 2007 to 2008, a total of 2.1 per cent.

More taxpayers

The Tax Administration processes an increasing number of taxpayers each year, both personal taxpayers and companies. The number of personal taxpayers increased the most, by nearly 127,000 from 2007 to 2008. There was also a nice growth in the number of companies and the number of enterprises liable for value added tax in 2008.

Tax assessment of Oslo taxpayers

In the working year 2008, the tax returns of 260.000 taxpayers from Oslo

were transferred for processing by Tax Norway North and 56.000 for processing by Tax Norway Central Norway. The tax offices in Tax Norway North and Tax Norway Central Norway are fully responsible for the case processing for these tax returns. This means that the processing office will carry out all controls and make all decisions, and that it will process any appeals received. So far, this arrangement has functioned well and provided satisfactory results. From 2009, all tax returns from wage earners and pensioners in Oslo will be processed in Tax Norway North and Tax Norway Central Norway.

No changes, no submission

The year 2008 was the first year when wage earners and pensioners who had no changes to make to the pre-filled tax return did not have to submit it. The new scheme was well received,

Number liable for tax and value added tax

		2006	2007	2008
Register of taxpayers:	Number of taxpayers required to pay in advance	4 082 006	4 112 305	4 238 958
	Number of taxpayers required to pay in arrears	190 884	204 374	218 735
VAT register:	Total number liable for VAT	327 759	333 855	342 168
	- number of which has a duty to submit annual statements	74 712	73 308	71 378
	- number of which has a duty to submit annual VAT returns	41 625	45 187	48 662

and more than 1.7 million taxpayers used their exemption from the obligation to submit their tax returns.

A survey on the use and perception of the exemption from the duty of submission showed that approx. half of the respondents had made use of the exemption. Nearly one third of respondents who did not make use of the exemption replied that they could have. The characteristics of this group do not indicate any dislike of the arrangement, and an overwhelming majority (84 per cent) said that they will consider using the exemption next year. When asked what it would take for them to use the arrangement, those who submitted an unchanged tax return replied that they needed more or better information, and that they needed to make sure that the arrangement worked.

Pre-filled tax returns also for self-employed persons

Self-employed persons received pre-filled tax returns for the first time. The tax return is based on the same pattern as the tax return for wage earners and pensioners. In addition, it has a separate page containing the items particular to self-employed persons. The online submission service was extended to include items for business income, and all relevant forms were integrated into the solutions. Enterprises that use accounting software to produce their annual accounts can download the pre-filled data to their programs. The pre-completion is a great benefit to the accountants, who do not have to keep reminding their clients to send them control statements. The pre-completion also rationalises the Tax Administration's internal tax assessment processing.

The changes have been well received by taxpayers and accountants alike. A user survey showed that a narrow majority saw the new tax return as an improvement, and most stated that the pre-filled information was very helpful.

New appeal and appeal boards arrangement

A new appeals and tax appeal boards arrangement has also been created. There are five tax appeal boards, one for each region, and one national appeals board, the National Tax Appeal Board. There are separate tax appeal boards for the Central Office – Foreign Tax Affairs and the Central Tax Office for Large Enterprises.

The board members are appointed by the county councils. At least two thirds of the members must be trained in the fields of accounting, economics or law and have work experience from one of these fields. The chair and deputy chair of the appeal boards must have the qualifications required to be appointed District Court Judges.

Under this new scheme, the initial processing of all appeals takes place at the tax office. The decision of the tax office can be appealed to the tax appeal board.

Cooperation to combat black economy

The alliance Samarbeid mot svart økonomi (Collaboration to combat black economy) comprises the Norwegian Confederation of Trade Unions (LO), the Norwegian Association of Local and Regional Authorities (KS), the Confederation of Norwegian Enterprise (NHO), the Confederation of Unions for Professionals (Unio) and the Confederation of Vocational Unions (YS), all of which cooperate

with the Tax Administration to increase focus on combating the black economy.

The alliance's primary efforts in 2008 have targeted young people, particularly through the Spleiselaget and Young Enterprise schemes. Tax and black economy have been discussed with 35.000 upper secondary school pupils through Spleiselaget. This tuition concept for upper secondary school pupils forms part of the preventive guidance work. At year's end 2008, 60.6 per cent of second-year upper secondary school pupils had completed the tuition scheme, compared with 55.6 per cent in 2007. The result for 2008 is the best annual result so far in the history of Spleiselaget. Teachers as well as pupils give positive feedback. Experience from Spleiselaget is also used to develop other concepts in the field of guidance, for example courses for immigrants and apprentices. The latter has been part of a pilot project in Central Norway that received financial support from the Samarbeid mot svart økonomi alliance, among others.

Prevention and control

We will guide, inform and prevent as well as carry out purposeful controls to correct misunderstandings and ensure compliance with the regulations. General monitoring, controls and sanctions make the consequences of errors more visible and increase taxpayers' perceived risk of detection.

A special department of prevention and control has been established within the Directorate of Taxes to consider the overall use of measures. The regions fulfil this function through cooperation between the various functions. Each region has its own entities for guidance, control and application of the law, as well as tax

crime entities that handle the more serious cases.

Control of self-employed persons

Approximately 550,000 self-employed persons and companies were registered in the Tax Administration's systems in 2008 (up by 13,000 compared with 2007). A total of about 72,000 of these were controlled, that is about 13 per cent. The percentage checked is almost identical to the percentage for 2007.

The Tax Administration carried out 10,088 tax audits, which are 350 less than the previous year. This reduction is primarily due to the tax offices' resource situation. A number of auditors resigned in 2008, and the agency was unable to replace them. The Tax Administration also carried out 11,513 VAT statement checks. In 2008, the inspectors' proposals for post-calculation of income following tax audits amounted to a total of approx. NOK 20 billion. This is a considerable increase compared with previous years.

Black economy and tax evasion

Serious tax crime has been one of the Tax Administration's focus areas for a number of years. This work has been further strengthened through the reorganisation of the agency. Each tax region has its own tax crime entity with more employees than before. Other functions also work with such cases. Even though the Tax Administration spends more resources uncovering tax crime, the crime picture that emerges is disturbing. There is therefore a considerable risk that organised tax crime is not detected and adequately followed up by the Tax Administration and the courts.

In recent years, we have seen a development towards stricter senten-

cing for economic crime. Three judgments in Tax Norway West in 2008 resulted in sentences of immediate imprisonment of 8 months, 1.5 and 2.5 years, respectively. Tax Norway East had four cases that resulted in sentences of immediate imprisonment for 2.5, 3 and 4 years. In the fourth case, two persons were sentenced to three and four years' imprisonment, respectively. Judgments in the taxi cases under consideration in Tax Norway East come in addition to these figures, and 73 judgments have been pronounced in these cases in 2008.

The tax crime entities reported 286 cases in 2008, 194 of which related to the taxi case in Tax Norway East. The Tax Administration reported a total of 522 cases in 2008.

Fictitious invoicing

Organised criminal activities in connection with fictitious, incorrect or false invoicing have been uncovered in several regions and industries, including the construction and building industry and the cleaning industry.

Use of foreign payment cards

An effort to uncover the use of foreign payment cards linked to tax haven accounts has been launched as part of the Tax Administration's focus on tax evasion. The use of international payment cards is a common way of accessing hidden assets abroad. We assume that many of these cards are linked to accounts registered in tax havens. Cooperation between the Nordic countries has been initiated





with a view to sharing expertise and exchanging experience. Both Sweden and Denmark have launched similar projects relating to foreign payment cards. A total of 43 million transactions in which foreign payment cards were used in Norway will now be reviewed to uncover income and assets hidden abroad. The total value of these transactions is around NOK 35 billion.

Construction site campaigns

Major inspections were carried out on construction sites in 2007 and 2008, primarily to control whether foreign labour is reported in accordance with the applicable regulations. In 2008, major inspection campaigns were carried out in all regions targeting, among others, the building and construction industry, cars and transport, the restaurant industry and pavers. The purpose of the campaigns was partly preventive work and mapping, partly deterrence. The campaigns also trigger further control activities both in companies and with individuals. A number of other agencies also participated in these campaigns, including the Labour

Inspection Authority, the Norwegian Labour and Welfare Organisation and the Police, and the campaigns were covered extensively by the media. Many violations of the regulations, some of them serious, were uncovered. A significant number of unregistered players were also identified. However, the introduction of ID cards in the building and construction industry has resulted in a clear improvement as regards registration of foreign labour in the industry.

Tax havens

Foreign establishment and financial activities across borders are becoming as common for small enterprises and individuals as for large enterprises. This makes stricter control of Norwegian taxpayers with ties to other countries and their transactions necessary. International cooperation in this field becomes ever more important. The Tax Administration participates in organised collaboration in OECD and IOTA, and also collaborates with the tax authorities of other Nordic countries and the countries around the Baltic Sea. This collabora-

tion includes exchanging information about control methods, control experience and persons/companies, both concerning tax evasion and experience relating to corruption and money laundering.

The Tax Administration exchanged control information with more than 40 countries in 2008. The agency has also participated in surveys in several Nordic countries as well as in England, the Netherlands, Poland and Lithuania.

At the beginning of the year, it became known that tax authorities in a number of countries had been given access to a computer file which contained account information from a bank in Lichtenstein. This attracted broad media attention. Towards the end of the year, the Directorate of Taxes was informed that almost 50 Norwegian taxpayers had concealed considerable assets in a bank in Lichtenstein.

During the year 2008, the Tax Administration repeatedly encouraged taxpayers who possessed hidden

assets abroad to report these assets to the tax authorities. If the assets are reported voluntarily before the tax authorities initiate their own control measures, the taxpayer will usually get away with an additional tax of one per cent in addition to the tax he/she should have paid. A number of taxpayers contacted the tax authorities during the year. The assets in questions were often inherited, with some bank deposits dating as far back as the 1960s, but there are also hidden assets in the form of real property and shares.

Administrative matters

The Tax Administration's primary human resources-related challenge in 2008 was downsizing in a reorganisation situation with significant changes to the way in which we organise our work. At the end of the year, the Tax Administration had 6.141 employees: 4,900 employees in the five tax regions, 300 in the Tax Hotline, 248 in the Directorate of Taxes and 693 in the Tax Administration's IT and Service Partner. The number of employees was reduced by 260 in 2008 (230 full-time equivalents). All entities have contributed to this reduction, except for the Tax Administration's IT and Service Partner, which increased its staff. This increase was partly a result of internal reallocation following the establishment of centralised national functions, partly of necessary recruitment.

The Tax Administration had a turnover of 8.7 per cent, up from 7.9 per cent in 2007. Sixty-four per cent of the employees who left the Tax Administration left for a job outside the agency, 17.7 per cent left due to early-retirement pension or old age, and 18.3 per cent left because of disability or because they had a temporary position. The increased turnover was expected in light of the strong labour

Number of employees

	2005	2006	2007	2008
The Directorate of Taxes (incl. SITS in 2007)	710	799	890	248
Central Tax Offices	183	207		
County tax offices	1 243	1 249		
Tax collector's offices	491	494		
Tax assessment offices	3 764	3 784		
The Petroleum Tax Office			36	40
The Tax Administration's IT and Service Partner (SITS)				693
Tax Norway East			1 844	1 751
Tax Norway South			941	878
Tax Norway West			1 139	1 059
Tax Norway Central Norway			711	658
Tax Norway North			550	514
The Tax Hotline			306	300
Total	6 391	6 533	6 417	6 141

Tax Administration employees by gender

<i>Entity</i>	<i>Women</i>	<i>Men</i>	<i>Percentage of women</i>
The Directorate of Taxes	117	131	47.2
The Tax Administration's IT and Service Partner (SITS)	380	313	54.8
The Petroleum Tax Office	16	24	40.0
Tax Norway East	1 120	631	64.0
Tax Norway South	568	310	64.7
Tax Norway West	679	380	64.1
Tax Norway Central Norway	421	237	64.0
Tax Norway North	342	172	66.5
The Tax Hotline	208	92	69.3
Total figures for the Tax Administration	3 851	2 290	62.7

market that characterised much of 2008.

The Tax Administration's IT and Service Partner now organises all support functions for the whole Tax Administration. The Tax Administration has reduced its staff during 2008 to adjust its activity level to the agency's budget.

Tax Administration employees by gender

The Tax Administration has worked purposefully for several years to achieve gender equality, and the percentage of women in management positions has increased. In 2008, about half the managers were female.

The year 2008 was an important year in our ethics work. Ethical guidelines have been communicated to all parts of the Tax Administration. A working group has proposed measures and activities, as well as produced material and organised lectures on ethical issues. Ethics has been on the agenda of all the management meetings during the year, and an ethics committee has been established to help

ensure that the Tax Administration maintains a high level of awareness of ethical issues.

The Tax Administration's budget

The Tax Administration had a total operating budget of NOK 4.03 billion in 2008, and the spending shortfall made up 3.4 per cent of this amount. This is well within the limits of what we consider acceptable. The budget for item 01 has been tight throughout the year, and many measures have been carried out to reduce the Tax Administration's level of costs. The spending shortfall for operations totalled approx. NOK 136 million, i.e. 3.4 per cent of the allocated amount, at the end of the year. The spending shortfall was mainly due to postponed activities and development projects, as well as postponements in projects with ear-marked funds.

Some of this is the result of the Tax Administration's insufficient development resources, particularly in the IT area. The remaining comes from budget savings resulting from a restrictive human resources policy in 2008.

The Tax Administration's budget

<i>Item</i>	<i>Designation</i>	<i>2008 budget</i>	<i>2008 accounts</i>
01	Operating costs ¹	4 033 924	3 898 151
21	Special operating costs	104 375	95 314
22	Major IT projects, can be transferred	90 256	78 549
45	Major equipment procurements and maintenance, can be transferred	109 430	73 657
	TOTAL	4 337 985	4 145 670

¹ The accounts show spending adjusted for the income in chapter 4618, items 02, 15, 16, 17 and 18

Key figures from the Tax Administration's operations

Cases processed

		2006	2007	2008
Population Register	Number of notifications of change of address processed	673 954	698 369	669 275
	Number of name change cases processed	58 121	58 538	61 563
Tax deduction cards	Number of tax deduction cards issued centrally	3 283 000	3 292 000	3 361 000
	Number of changes during the year	946 000	1 046 000	1 092 000
Basis data	Number of basis data processed	48 956 000	49 640 000	52 400 000
Tax returns incl. tax settlements	Total number of tax returns	3 721 000	3 801 000	3 874 700
	- Wage earners and pensioners	3 196 000	3 264 000	3 324 000
	- Self-employed persons	335 000	333 000	332 000
	- Companies	190 000	204 000	218 700
VAT statements	Total number of statements	1 541 038	1 124 718	1 590 916
	- Of which VAT refund forms	382 369	389 370	392 299
Inheritance and gift statements	Total number of inheritance and gift cases	50 820	47 675	38 925
	- Inheritance cases	21 260	22 173	19 385
	- Gift cases	29 560	25 502	19 540

A significant proportion of the Tax Administration's resources is spent processing statements from those liable to pay taxes. The number of statements can vary from year to year, but the dominant trend is a steady increase.

Tax settlement for tax paid in advance

	<i>Income year</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
Number of taxpayers	3 531 000	3 597 000	3 656 000
- Wage earners and pensioners	3 196 000	3 264 000	3 324 000
- Self-employed persons	335 000	333 000	332 000
Assessed tax and National Insurance contributions	263.2 billion	276.6 billion	308.2 billion
Tax refund paid, incl. interest	24.5 billion	26.3 billion	30.0 billion
No of people who received tax refunds	2 677 000	2 651 000	2 646 512
Underpaid tax to be paid, incl. interest	15.9 billion	16.6 billion	17.8 billion
No of people with underpaid tax	645 000	721 000	731 707
Additional advance tax	12.7 billion	10.1 billion	14.8 billion
No of people who have paid additional advance tax	293 000	318 000	379 956
No of people with underpaid tax of less than NOK 100	94 500	78 600	84 648
No of people who received tax refunds or owed underpaid tax > NOK 15 000	15.8 %	17.10 %	20.07 %
Tax return submitted too late - number	30 000	24 000	18 245
- Penalty charges imposed	58.7 million	54.2 million	43.2 million
Number of un-submitted tax returns/ tax returns submitted with incorrect information	23 000	22 400	10 500
- Additional tax imposed	504.9 million	444.3 million	284.4 million

The tax settlements are sent out after the tax office has processed the tax returns. Wage earners and pensioners receive their tax settlements either in June or in October. Self-employed persons receive their tax settlements in October. Between 80 and 90 per cent of wage earners and pensioners receive their tax settlements in June.

Tax settlement for companies

	<i>Income year</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
Number that receive tax settlements	190 000	204 000	219 000
Assessed tax excl. oil	45.4 billion	61.7 billion	69.3 billion
Assessed tax incl. oil	230.1 billion	279.5 billion	255.7 billion
Number of un-submitted tax returns/ tax returns submitted with incorrect information	3 769	3 990	7 271
- Additional tax imposed	132.1 million	181.2 million	257.9 million
Number of tax return submitted too late	22 640	28 433	33 571
- Penalty charges imposed	27.1 million	34.0 million	42.4 million

There is a steady increase in the number of companies that receive tax settlements. The number of companies on which penalty charges for submitting tax settlements too late were imposed increased again in 2008. This number has nearly quadrupled since 2000. This is an extremely negative trend, and the tax regions (local tax offices) have implemented a number of measures in relation to accountants and auditors. A detailed analysis of the figures shows that nearly the whole increase stems from companies with low profits (incomes of NOK 10,000 or less after loss carryforward).

Overview figures from the tax assessment 2006-2007

	2006 NOK million	2007 NOK million	Number of persons	Average for those to whom the item applies
Surtax basis	1 025 057	1 123 557	3 814 260	294 600
General income after deduction for special allowances ¹	800 993	882 266	3 783 113	233 200
Personal income, pensions	181 820	194 986	1 156 143	168 700
Personal income, wages	781 011	862 028	2 938 619	293 300
Personal income from agriculture/ forestry/ fisheries	10 436	11 274	63 431	177 700
Personal income from other business activities ²	47 231	50 752	197 173	257 400
Municipal wealth tax	6 569	7 829	1 095 095	7 100
Income tax revenue, municipal and country authorities	108 835	111 300	3 436 212	32 400
Wealth tax to the state	3 220	3 941	1 078 771	3 700
Surtax	13 122	16 830	877 609	19 200
Equalisation tax	79 271	97 150	3 435 815	28 300
National Insurance contrib.	71 775	78 713	3 535 046	22 300
Penalty charges for tax returns submitted too late	54	47	18 682	2 500
Additional tax	435	299	12 195	24 500
Finnmark allowance	662	685	66 531	10 300
Housing saving allowance ³	441	480	257 359	1 900
Reduction in wealth tax	827	1 024	14 643	69 900
Tax limitation	4 435	4 830	527 411	9 200
Allowance for tax paid abroad	942	1 247	16 952	73 600
Imputation deductions	187	109	4 319	25 300
Total tax assessed ⁴	276 320	308 294	3 513 409	87 700

1 The basis for calculation of income tax to municipal and county authorities and equalisation tax.

2 Personal income from family day care centres has been included in other business activities from and including 2000. This was earlier included with personal income from agriculture/ forestry/ fisheries.

3 Including added tax for breach of BSU (young person's housing savings scheme) savings contracts.

4 Total taxes minus total allowances and deductions. Individual sub-taxes, however, are given as their gross amounts, i.e. before deductions and allowances have been deducted.



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