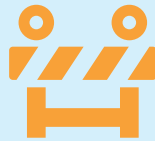




The Norwegian Tax Administration

ANNUAL REPORT 2010



INDEX

* A good working year!	3
* The Tax Administration in 2010	4
The Tax Hotline	4
Tax Assistance – for people with special needs	5
Service Centre for Foreign Workers	5
Value of real estate – a national joint effort	6
Withholding tax on pensions	7
Case handling times	7
False identities	7
VAT fraud	8
Tax havens	8
Tax amnesty	8
Network crime and fictitious invoicing	8
Tax crime	9
* Some key figures from the Tax Administration 2010	10
Tax revenues	10
Tax returns	10
Tax settlement notices	11
Tax deduction cards	12
The Population Register	12
Third party information	12
Value added tax	13
Handling of appeals	13
Inheritance and gifts	14
Control results	14
Cases reported to the prosecuting authority	15
About the Tax Administration's staff	15
The Tax Administration's budget	15

The Tax Administration's main goals:

- * Taxes must be stipulated correctly and on time
- * Taxes must be paid on time
- * The Population Register must be of high quality
- * To provide good service to our users

The Tax Administration's vision:

- * A society in which everyone is willing to pay their dues

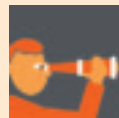
The Tax Administration's values:

- * Professional
- * Accommodating
- * Innovative



Strategies 2010-2015

Transparency



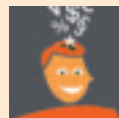
One step ahead



User-friendly public sector



Quality culture



Expertise

A GOOD WORKING YEAR!

There were great expectations of the reorganisation of the Norwegian Tax Administration among both employees and our stakeholders and partners. And with good reason – we had big ambitions and new solutions. The results of this extensive reorganisation may not be immediately apparent and the full effect cannot yet be seen but we are on the right track.

It is good to see that we will deliver excellent results this year. We are in the process of implementing the Tax Administration's new strategies that outline our ambitions for an even better tax administration in future. Transparency, quality and competence are the key factors to further development of the Tax Administration. We take criticism seriously and know what it is required to meet users' expectations.

Our work on shaping attitudes among young people has been continued. We actively partici-

pated in public debates, such as on lawyers' professional secrecy, Norwegians' investments in tax havens and publication of the lists on taxpayers' income and assets. Our international involvement is increasing, and in 2010 we initiated a collaboration with NORAD (the Norwegian Agency for Development Cooperation) on assistance in Africa.

We are continuing the work of developing and improving our services. We have reduced the case processing time in several areas and the waiting times on the Tax Hotline (Skatteopplysningen) are now even shorter. Our website www.skatteetaten.no is now even more user-friendly and it is easier to search the site.

We have implemented many measures to improve service in relation to the business community and the general public. The work of developing a joint channel for employers' reporting of pay and



tax data is an important project that will help to streamline the dialogue with employers. This is a collaboration between NAV (the Norwegian Labour and Welfare Organisation), SSB (Statistics Norway), the Brønnøysund Register Centre and the Tax Administration.

The Tax Administration's work hasI collected a total of NOK 773 billion for the common good. Results from our tax assessment work and control activities are good, and we detect large undeclared amounts.

A handwritten signature in black ink, which appears to read "Svein Kristensen". The signature is fluid and cursive, written over a light blue background.

THE TAX ADMINISTRATION IN 2010

The Tax Hotline

The Tax Hotline, the agency's phone guidance service, answered more than two million enquiries in 2010. That is slightly less than in 2009. Sixty-six per cent of the enquiries were answered within two minutes. The average waiting time for phone calls was 1 minute and 27 seconds, but this varied greatly during the year. The longest waiting times are in connection with tax deduction cards, tax returns and tax sett-

lements. If there is a queue, the caller can choose to be called back by the Tax Hotline without losing his or her place in the queue. In 2010, almost 19 per cent chose 'call back'. In connection with the new tax value of dwellings, the Tax Hotline answered 108,000 telephone enquiries. The service line for accountants, auditors and lawyers received almost 40,000 calls about tax and 26,000 calls about VAT.

The Tax Hotline answered almost 500 000 calls on the tax return i April. Many users made use of the "call back" service.



Tax Assistance – for people with special needs

In 2010, a completely new service was established in the Tax Administration. Tax Assistance is a special unit that assists taxpayers unable to look after their own interests, and taxpayers whose life situations are such that they have problems with indebtedness and thereby have difficulty paying their debts. The Tax Assistance service is available in all regions and consists of teams with wide-ranging expertise. They provide taxpayers with personal guidance and assistance in understanding financial matters and finding solutions. The Tax Assistance service is engaged in preventive work and in considering whether previous tax assessments should be changed or whether tax claims should be written off, either completely or in part. In 2010, the Tax Assistance service dealt with 500 cases, and for just over 200 of them, the tax assessment was completely or partially changed so that the tax claim was reduced or waived in its entirety.

Service Centre for Foreign Workers

More than 105,000 foreign workers visited the service centres in Oslo, Stavanger and Kirkenes. The service centres are a collaboration between the immigration authorities, the police and the Norwegian Labour Inspection Authority. They ensure swift, coordinated case processing for foreign workers.



Value of real estate – a national joint effort

In 2010, a new method was introduced for calculating the tax value of real estate. The purpose of the change was to ensure better agreement between dwellings' tax value and sales value, thus enabling the calculation of a new tax value. All home owners had to report information on living space, building year and type of dwelling for all housing properties except holiday homes, houses on farms and dwellings abroad.

In September, more than 1.9 million letters were sent to the country's home owners. An information campaign was initiated at the same time. At the end of the year, housing information for almost 90 per cent of all dwellings had been reported, 96 per cent of which was of a high enough quality to be entered in the tax returns. Almost 60 per cent reported online or via SMS.



The famous Norwegian character Narvestad was a recurrent figure in the information campaign on new value of real estate.

Withholding tax on pensions

From the 2010 income year, persons who are not tax residents in Norway must pay withholding tax on pensions paid from Norway. The withholding tax is 15 per cent, but it can be reduced or waived as a result of tax treaties or alternative calculations for EEA nationals. Pensioners must apply for exemption or a reduction themselves. In 2010, tax deduction cards were sent to around 37,000 pensioners living abroad. Of these, approx. 4,000 were exempted or had their tax reduced. Most of those who pay withholding tax on pensions live in Sweden (approx. 13,500), the USA (approx. 7,000), Spain (approx. 4,500) and Denmark (approx. 3,900). The task of preparing tax deduction cards and tax returns for this group has been assigned to a separate unit in Tax North.

Case handling times

We have improved our service considerably by reducing case handling times in areas that are important to the general public. Almost 70 per cent of the appeals against tax assessments were processed by the tax office within the six-week deadline. Just over 90 per cent of reports relating to inheritance and gifts were processed within the six-month deadline. Almost 90 per cent of the applications for verification of compliance with the conditions for marriage were processed within the two-week deadline.

More wage earners and pensioners had their tax settlement moved to October than in the year before, among other things because more people enclosed attachments with their tax returns.

False identities

False identities are an increasing problem. The Tax Administration has uncovered a large number of cases where the D number scheme has been exploited by people who wish to live under a false identity in Norway. Through the use of false ID documents, some persons have been assigned a D number and a tax deduction card for a different identity than their true identity. In December 2010, new control meas-

ures were therefore implemented in connection with the issuing of tax deduction cards for 2011. Persons with D numbers had to go to the tax office in person and present ID documents with photos in order to be issued a tax deduction card. A more thorough investigation of the ID documents provides greater assurance that those with D numbers who receive a tax deduction card actually are who they claim to be.

VAT fraud

Extensive VAT fraud in connection with carbon allowance trading has been uncovered in several European countries. Cases have also been uncovered in Norway where extensive evasion is suspected. Necessary legislative amendments have been passed in order to stop this fraud. Cooperation between the Nordic countries on carbon allowance fraud has been initiated, and information has been exchanged with the tax authorities in other countries.

Tax havens

The work of combating hidden assets and income abroad continues. The use of foreign payment cards is one way of 'laundering' hidden income and assets. The Tax Administration has identified more than 7,000 such cards that are being considered for further control. The agency is now working on more than 450 such cases.

Under the auspices of the Nordic Council of Ministers, information exchange agreements have been signed with 29 tax havens. Nine agreements have entered into force, and our experience of using the agreements is good. The agreements have been an important tool in the Tax Administration's work on uncovering hidden assets abroad.

Tax amnesty

Active use of the media has led to more and more taxpayers with hidden assets or income requesting a tax amnesty. Most of the people who request a tax amnesty have hidden income or assets abroad. In 2010, almost 190 taxpayers sent notification that they had assets and income abroad that had not been declared in their tax returns.

The flow of money to tax havens would probably not take place without the help and advice of professional advisers. The Tax Administration therefore plans to survey and follow-up the role and responsibility of tax advisers.

Network crime and fictitious invoicing

The agency has worked for several years on network crime and fictitious invoicing. More than 100 tax audits have been carried out of enterprises. This has resulted in proposals to increase the basis for employer's National Insurance contributions by NOK 150.5 million and reversals of unwarranted deductions of input VAT of NOK 64.9 million. After the cases were reported, investigations have been initiated against 34 individuals, sixteen of whom have already been convicted.

Tax crime

There has been an increase in serious tax crime cases. In 2010, 352 such cases were finalized and 245 cases were being worked on at the turn of the year. Ninety-one such cases were reported to the police, an increase of more than 20 per cent compared with 2009. Several of these cases attracted widespread media attention. Large amounts were uncovered in such cases: NOK 533 million in general income (NOK 250 million in 2009), NOK 62 million in personal income (NOK 81 million in 2009), NOK 137 million in VAT

(NOK 56 million in 2009), NOK 8 billion in wealth (NOK 280 million in 2009), NOK 68 million in the basis for employer's National Insurance contributions (NOK 62 million in 2009) and NOK 11 million in the basis for inheritance tax (NOK 0 in 2009).

A total of 181 cases have been registered that involve serious tax evasion, i.e. more than NOK 1 million in presumed undeclared proceeds. Organised crime involving several parties has been uncovered in 35 cases and professional criminals were involved in 27 cases.

International cooperation and treaties on exchange of information are important tools for combatting international tax crime.



SOME KEY FIGURES FROM THE TAX ADMINISTRATION

Tax revenues

Total revenues for 2010 amounted to just over NOK 773 billion. The revenue from direct and indirect taxes varies from year to year. This is mainly because of changes beyond the Tax Administration's control, for example cyclical trends in the economy, major changes in taxation rules or fluctuations in oil production.

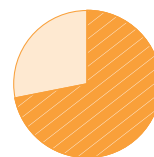
- * Total direct and indirect taxes levied – NOK 773.2 billion
 - * Tax on income/wealth – NOK 324 billion.
 - * Petroleum tax – NOK 145.1 billion
 - * National Insurance contributions – NOK 89.6 billion
 - * Employer's National Insurance contributions – NOK 119.8 billion
 - * VAT – NOK 92.1 billion
 - * Inheritance tax – NOK 2.0 billion

Tax returns

In 2010, all tax return attachments and tax returns submitted on paper were scanned for the first time.

- * Total number of tax returns processed – 4,022,600
 - * Percentage of taxpayers who made use of the exemption from the obligation to submit the tax return – 64 per cent
 - * Wage earners and pensioners – 3,483,600
 - * Self-employed persons – 305,000
 - * Companies – 234,000
 - * Percentage of wage earners and pensioners who made use of the exemption from the obligation to submit the tax return – 64.4 per cent

Online filing of tax returns



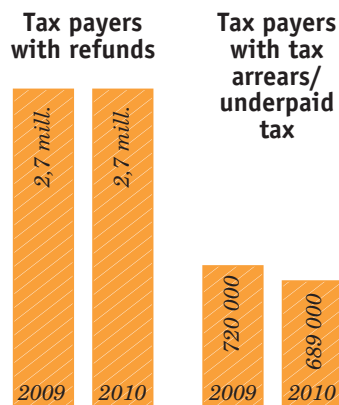
Percentage of self-employed filing online – 82,1 per cent



Percentage of employees and pensioners filing online – 58,2 per cent



Number of tax payers with refunds and tax arrears/underpaid tax



Tax settlement notices

Just over 84 per cent of wage earners received their tax settlement in June. The rest received their tax settlement in October.

- * Number of tax settlement notices
 - * Wage earners and pensioners – 3,483,600
 - * Self-employed persons – 305,000
 - * Companies – 234,000
- * Tax and National Insurance contributions levied
 - * Personal taxpayers – NOK 341 billion
 - * Companies – NOK 73.2 billion
 - * Oil companies – NOK 145.1 billion
- * Tax refunds and underpaid tax
 - * Number of people due a tax refund – 2,693,019
 - * The amount due including interest – NOK 32.8 billion
 - * Number of people with underpaid tax – 705,579
 - * Underpaid tax including interest – NOK 14.4 billion
- * Penalty charges
 - * Number of self-employed persons – 12,481
 - ➔ Penalty charge – NOK 38.6 million
 - * Number of companies – 22,137
 - ➔ Penalty charge – NOK 18 million
- * Not submitted/incorrect information
 - * Number of self-employed persons – 7,084
 - ➔ Additional tax – NOK 191.7 million
 - * Number of companies – 4,213
 - ➔ Additional tax – 201.3 million



Tax deduction cards

During the year, many people need to change their tax deduction cards because of changes in their personal finances. Just over 27 per cent changed their tax deduction card during the year, down from 31 per cent in 2009.

- * Number of tax deduction cards printed in December 2009 – 3,529,087
- * Number of changes during the year – 963,262

The Population Register

At the turn of the year, 4,920,300 people were registered as resident in Norway, an increase in population of 62,100 persons. Of this increase, immigration accounted for 68 per cent and the birth surplus for 32 per cent.

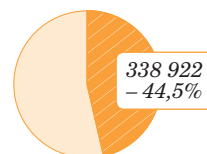
- * Number of processed notifications of changes of address – 735,043
- * Number of processed name change cases – 62,701
- * Dwelling number – 95 per cent of all dwellings are registered with a dwelling number
- * Detected false, fictitious or missing notifications of changes of address – 21,415
- * Percentage of online notification of changes of address – 63.8 per cent

Third party information

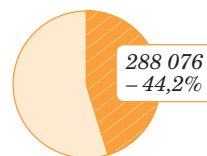
Information that employers, banks, public agencies, child day care centres etc. submit to the Tax Administration is the basis for tax returns and for the agency's control work.

- * Number of third party information reports processed – 52.5 million

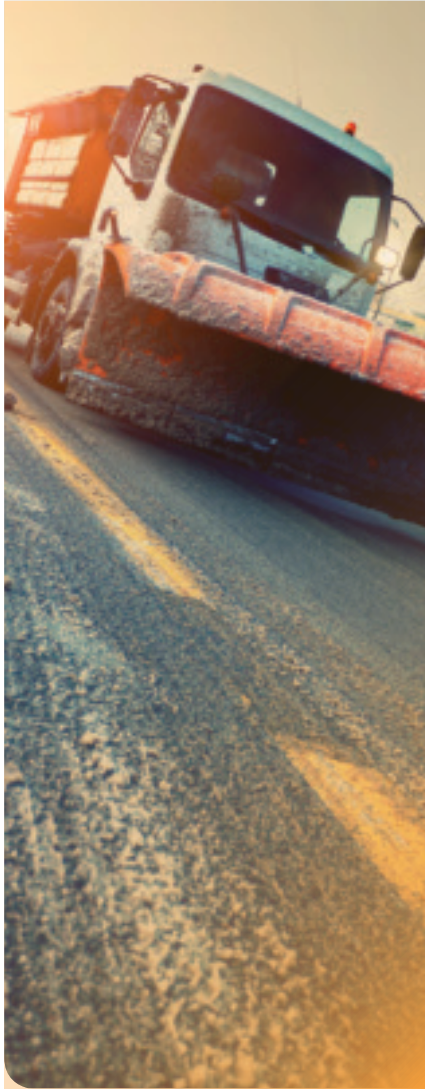
Online change of tax deduction card



*Number of changes made online of tax deduction cards 2009.
Total number of changes of tax deduction cards in 2009: 760 898*



*Number of changes made online of tax deduction cards 2010.
Total number of changes of tax deduction cards in 2010: 651 124*



Value added tax

Value added tax is payable on the sale of most goods and services. The general rate is 25 per cent. For foodstuffs it is 14 per cent and for cinema tickets and passenger transport it is 8 per cent.

- * Number of tax subjects liable for VAT - 339,798
 - * Stipulated VAT – NOK 92.1 billion
 - * Total number of statements – 1,581,268
 - * Of which VAT refund forms – 405,976
 - * Number of appeals to the appeals board – 23
-
- * Percentage of VAT statements submitted online – 90.3 per cent

Inheritance and gifts

The deadline for reporting inheritance is six months after a death. In the case of advances on inheritance and gifts, the deadline is one month after the advance on the inheritance or gift has been received.

- * Number of cases processed – 42,948
 - * Inheritance cases – 21,612
 - * Gift cases – 21,336
- * Stipulated inheritance tax – NOK 2 billion

Handling of appeals

Just over 90,000 appeals relating to tax, VAT, inheritance tax and the population register were processed in 2010. In addition, the tax offices corrected errors in tax returns without receiving an appeal from the taxpayer in almost 30,000 cases.

- * Number of appeals processed
 - * The Population Register – 301
 - * Tax – a total of 89,711
 - * Considered by the tax appeals board – 3,852 cases
 - * VAT – 237
 - * Inheritance tax – 151
-

Control results

Through the control of tax returns, VAT statements and various types of field audit activities, several errors and omissions are uncovered that lead to changes in income and VAT.

- * Amounts changed after the control of the tax returns
 - NOK 43.6 billion
 - * Increased income: NOK 32.1 billion
 - * Reduced income: NOK 11.5 billion
- * Amounts changed after the control of VAT statements and field audits – NOK 5.4 billion
 - * Increased VAT – NOK 4.6 billion
 - * Reduced VAT – NOK 866 million





Cases reported to the prosecuting authority

Serious tax evasion, repeated failure to submit statements and attempts to acquire a D number using false documents.

- * Total number of reports – 1,006
 - * Reports concerning incorrect information – 397
 - * Reports concerning failure to submit a statement – 609

 - * Reports concerning using a false identity – 197

About the Tax Administration's staff

- * Number of employees – 6,527 (permanent and temporary)
- * Number of full-time equivalents – 6,086.8
- * Percentage women – 61 per cent
- * Percentage female managers – 51 per cent
- * Average age – 47.5 years
- * Employees from immigrant backgrounds - 4.7 per cent
- * Employees with functional impairment – 5.7 per cent

The Tax Administration's budget

- * Allocation 2010 – NOK 5.045 billion
 - * Operating expenses – NOK 4.5 billion
 - * Special operating expenses – NOK 144.6 million
 - * Major IT projects, can be transferred – NOK 221.4 million
 - * Major equipment procurements and maintenance, can be transferred – NOK 102.5 million.



Published by:
Directorate of Taxes Norway
Design:
RessanseMedia AS
Copies: 1000
skatteetaten.no