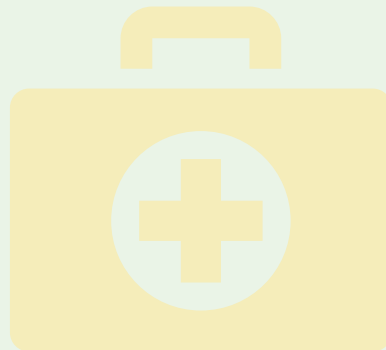
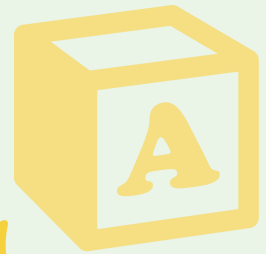
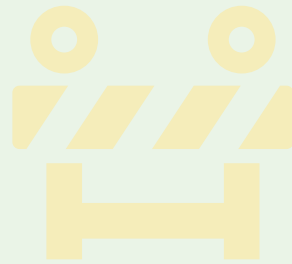
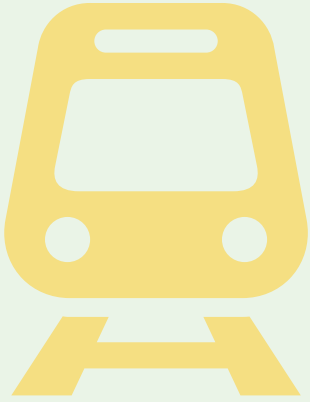




The Norwegian Tax Administration

ANNUAL REPORT 2011



INDEX

* Preparing for the future	3
* The Tax Administration in 2011	4
Good results in 2011	4
A new system for tax lists	5
Service Centre for Foreign Workers	6
Buy 'white' – it pays to know	6
Continuous tax settlement	7
Tax Assistance – for people with special needs	7
New meeting places	7
Network crime and fictitious invoicing	8
Closure of tax offices	8
Shorter waiting times	8
Tax havens and tax amnesty	9
* Some key figures from the Tax Administration 2011	10
Highest tax revenues ever	10
Tax returns	10
Tax deduction cards	12
The Population Register	12
Consideration of appeals	12
Third party information	13
Value added tax	13
Inheritance and gifts	14
Control results: Record amount uncovered	14
Cases reported to the public 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

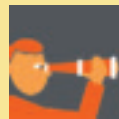
The Tax Administration's values:

- * Professional
- * Accommodating
- * Innovative



Strategies 2010-2015

Transparency



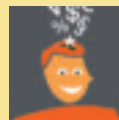
One step ahead



User-friendly public sector



Quality culture



Expertise

PREPARING FOR THE FUTURE

The Tax Administration is in contact with the whole population several times a year. We cooperate with many different parties, and the business community reports large amounts of data to us. We have been at the forefront of technological developments. Among other things, this means that things that took eight months in the 1980s and 1990s now take just eight weeks – from a tax return is submitted until the tax settlement is ready. The transition from the old painstaking process of filling in the tax return to today's pre-completed return demonstrates the importance of staying ahead of developments and cooperating with others. One example is that, before we send people their tax returns, we collect roughly 55 million items of basic data. We know that people's tax returns will be more correct if we show them the basis we have used to calculate them. That is why we continue to endeavour to stay one step ahead.

We worked hard in 2011 preparing for future challenges. Through the programme 'Improving the IT platform', we will facilitate the case processing and communication solutions of the future. We will meet people where they are and be present when they need us. We will give them the digital solutions they need. In 2011, we started developing a new website. We worked on several self-service solutions, and we began using social media in our contact with individual taxpayers.

Being at the forefront is not just about technology, however. It is also about cooperation. In 2011, we took steps to introduce a new model for cooperation with large enterprises. We have initiated a project in which the Tax Administration enters into agreements with individual companies that involve a binding dialogue about tax matters at an early stage. International experience has shown that dialogue at an early stage



helps to increase predictability for the business community, improves information and results in more correct taxes.

Addressing future challenges means simplification as well as a closer dialogue – both with private individuals and the business community. We will make it easy to do the right thing.

A handwritten signature in black ink, which appears to read "Svein Kristensen".

THE TAX ADMINISTRATION IN 2011

Good results in 2011

Two factors characterised the Tax Administration's activities in 2011: We carry out important, recurring tasks on behalf of society to secure revenues for the common good. In addition, we are developing the organisation and the IT and communication solutions of the future to ensure efficient and simple public administration.

The revenues assessed and collected in 2011 are higher than ever before. This is partly a result of Norway's healthy economy, but is also due to good efforts on the part of employees, good systems and an improvement in the quality of basic data.

Thanks to prolonged efforts to collect basic data, most wage earners and pensioners chose to accept the proposed tax assessment they received from the Tax Administration. More than 60 per cent of the remaining taxpayers submitted their tax returns via Altinn. Nearly all businesses submitted their VAT returns online, and nearly 80 per cent submitted their tax return in the same way. The Tax Administration is developing its website to ensure that taxpayers can be more self-sufficient and to develop the service of the future. The use of social media such as Facebook is part of our communication strategy. It was introduced in 2011.

The Tax Administration is endeavouring to achieve greater differentiation in terms of its use

of methods, and we are investing a lot of resources in preventive work. Guidance and other preventive activities have an important role.

Due process protection, quality and equal treatment are high on our list of priorities. Several measures have been implemented to improve taxpayers' due process protection and ensure equal treatment. Case processing times are important, and although we have consistently improved our case processing times, there is still room for improvement.

The Tax Administration's work has resulted in a total of NOK 834 billion in revenues for use for the common good. By doing our job, we facilitate the further development of Norwegian society.



A new system for tax lists

In Norway, tax lists are accessible to the public in order to contribute to transparency about taxes and income distribution. In 2011, the tax lists were made public in a new way. The information was no longer to be freely available on the internet. Mobile phone applications and the pushing of tax list information on the internet made it possible to link information from the tax lists in more and more ways. This was never the intention behind making the lists public. At the Tax Administration's suggestion, the Storting therefore decided to change the system.

The tax lists were distributed to the media in the same way as before. The managing editor has to sign a written agreement that the information will only be used as a source for journalistic work, i.e. that it will not be made available for open searches in the newspapers' online editions.

The public have to log on to skatteetaten.no to search the lists. Each person can carry out 500 searches a month.

More than one million users have logged on to the system.

More than 10 million searches have been made since the tax assessment was made public.



Service Centre for Foreign Workers

About 110,000 foreign workers visited the service centres in Oslo, Stavanger and Kirkenes during the course of the year. 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.



Buy 'white' – it pays to know

The Tax Administration knows that a lot of services are bought in the home without the income being declared. We initiated a campaign targeting buyers of such services in cooperation with our partners in the Collaboration to combat the black economy alliance: the Ministry of Finance, the Confederation of Norwegian Enterprise (NHO), the Norwegian Association of Local and Regional Authorities (KS), the Norwegian Confederation of Trade Unions (LO), the Confederation of Vocational Unions (YS) and the Confederation of Unions for Professionals (Unio).

A new website, handlehvitt.no, was created to help consumers in need of more information. The campaign's message was communicated by buying advertising space, through the parties' existing networks, and via social media and the media. Activities in connection with this campaign will continue until 1 November 2012.

A survey was also carried out that showed that people's attitude to undeclared work has changed during the campaign period. The economic situation in Europe has also had an effect on people's attitudes. People now have a more negative attitude to undeclared work.

Continuous tax settlement

We have introduced a system of continuous tax settlement. This means that tax settlement notices for personal taxpayers were sent out in four batches during the period from June to October.

About 2.8 million taxpayers received their tax settlement notices in June, 154,000 received them in August, 70,000 received them in September and 867,000 in October.

Tax Assistance – for people with special needs

Uncovering tax evasion is an important task for the Tax Administration, but this is not just about control. We devote more and more resources to guidance and preventive activities. In 2011, 1,200 cases were considered by the Tax Assistance's guidance scheme. This is a service offered to taxpayers who are willing to pay their dues, but who need follow-up to resolve tax matters that have become deadlocked.

The Tax Assistance service is available in all regions and consists of teams with wide-ranging expertise. It provides taxpayers with personal guidance and help to understand tax matters, sort them out and find solutions. In 2011, half of all taxpayers who sought help from Tax Assistance had their tax settlements changed.

New meeting places

On 15 December, the Tax Administration introduced Facebook as a new channel for dialogue with its users. The purpose is to provide guidance and serve as a gateway to skatteetaten.no. Initially, the page consist of self-service solutions for ordering tax deduction cards and tax exemption cards and notifying a change of address. Taxpayers can also ask questions and receive prompt answers. The page is only intended for guidance purposes, and no case processing will take place through this channel.



Network crime and fictitious invoicing

Chains of suppliers ('networks') organise undeclared work and issue false or fictitious invoices in order to evade tax and value added tax, often by camouflaging undeclared wages. As a result of reports to the police, investigations were initiated against 48 individuals in 2011, and 22 of them have already been convicted. From its inception in 2009 until the end of 2011, the initiative had resulted in a total of 162 reports from comprehensive controls that have uncovered undeclared income corresponding to NOK 162 million, unpaid employer's National Insurance contributions corresponding to NOK 327 million and value added tax corresponding to NOK 118 million.

Tax evasion of this kind takes place by issuing a fictitious invoice (normally for services) to document a transaction that has never been carried out or that was carried out, but not in the form described in the invoice and not between the parties stated in the invoice.

The fictitious invoice is entered in the accounts of the 'buyer' and paid to the 'seller', who is often a person without fixed abode, a drug addict or a foreigner with a false identity. The 'seller' immediately withdraws the money in cash and returns it to the 'buyer' in return for a small commission.

Closure of tax offices

Today, taxpayers have less need to visit a tax office than before. Internet and telephone contact has replaced physical meetings. The Tax Administration has good electronic services, and any questions can be answered quickly via the telephone service. Therefore, 48 small tax offices with limited opening hours and with no permanent staff were closed on 1 June 2011. A further 55 offices with less than four employees will be closed during 2012, and by the end of the year there will be 110 tax offices left in Norway. No employees have been made redundant. They will all be offered a position in a nearby office.

Shorter waiting times

We have improved our service by reducing case processing times in areas that are important to the general public. Nearly 74 per cent of appeals against tax assessments were processed by the tax office within six weeks, and nearly 92 per cent were processed within three months. The corresponding figures for 2010 were 64 and 89 per cent.

Just over 90 per cent of inheritance and gift statements were processed within the six-month deadline.

Tax havens and tax amnesty

In 2011, almost 140 people contacted tax offices to declare that they have capital and income abroad that they have not declared in their tax returns. Many of them have kept this money concealed for a long time, and they can be subject to additional tax for up to ten years. By reporting voluntarily, they avoid additional tax of up to 60 per cent.

As part of its work to combat the concealment of assets in tax havens, the Tax Administration has

established a nationwide competence network that ensures that knowledge is increased and shared and experience exchanged. A Nordic network has also been established to ensure that experience is exchanged between the Nordic countries.

Norway also participates in work carried out in this field under the auspices of the Organisation for Economic Co-operation and Development (OECD).

In 2011, almost 140 people contacted tax offices to declare that they have capital and income abroad that they have not declared in their tax returns.



SOME KEY FIGURES FROM THE TAX ADMINISTRATION

Highest tax revenues ever

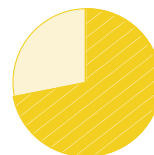
The total revenues for 2011 amounted to just over NOK 834.4 billion. Corrected for petroleum tax, this is the highest amount of revenues the Tax Administration has ever reported. Tax revenues vary from year to year, mainly due to changes outside the Tax Administration's control, such as the national and international economic situation, major changes to the tax system and, not least, changes in oil production and international oil prices. The good results are also partly a result of the Tax Administration's efforts and the effect of investments in new IT solutions.

- * Total direct and indirect taxes levied – NOK 834.5 billion
 - * Tax on income/capital – NOK 347.9 billion
 - * Petroleum tax – NOK 174.4 billion
 - * National Insurance contributions – NOK 93.4 billion
 - * Employer's National Insurance contributions – NOK 123.8 billion
 - * Value added tax – NOK 93.2 billion
 - * Inheritance tax – NOK 1.7 billion

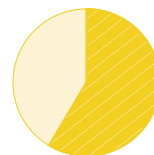
Tax returns

- * Total number of tax returns processed – 4,115,500
 - * Percentage of taxpayers who made use of the exemption from the obligation to submit the tax return – 66.5 per cent
 - * Wage earners and pensioners – 3,551,500
 - * Self-employed persons – 324,000
 - * Companies – 240,000

Online filing of tax returns



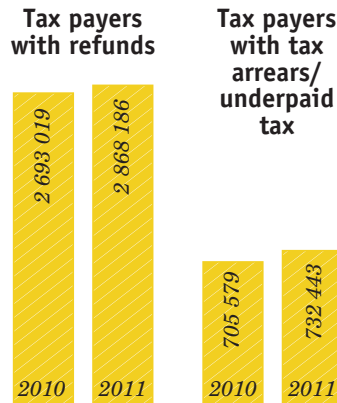
Percentage of self-employed filing online – 81.4 per cent



Percentage of employees and pensioners filing online – 62.2 per cent



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



- * Number of tax settlement notices
 - * Wage earners and pensioners – 3,551,531
 - * Self-employed persons – 324,000
 - * Companies – 240,000
- * Tax and National Insurance contributions levied
 - * Personal taxpayers – NOK 360.1 billion
 - * Companies – NOK 81.2 billion
 - * Oil companies – NOK 174.4 billion
- * Tax refunds and underpaid tax for wage earners, pensioners and self-employed persons
 - * Number of people due a tax refund – 2,868,186
 - * The amount due including interest – NOK 34.3 billion
 - * Number of people with underpaid tax – 732,443
 - * Underpaid tax including interest – NOK 15.4 billion
- * Penalty charges
 - * Number of self-employed persons – 23,136
 - ➔ Penalty charges – NOK 63.6 million
 - * Number of companies – 31,105
 - ➔ Penalty charges – NOK 23.8 million
- * Not submitted/incorrect information
 - * Number of self-employed persons – 4,177
 - ➔ Additional tax – NOK 89 million
 - * Number of companies – 1,964
 - ➔ 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 30 per cent changed their tax deduction card during 2011.

- * Number of tax deduction cards issued in December 2010 – 3,539,136
- * Number of changes during the year – 1,056,275

The Population Register

At the turn of the year, 4,985,900 people were registered as resident in Norway, which is an increase in the population of 65,550 persons, or 1.3 per cent. Of this increase, the immigration surplus accounted for 71.7 per cent and the birth surplus for 28.3 per cent.

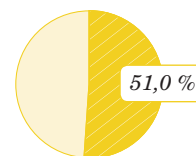
- * Number of processed notifications of change of address – 766,654
- * Number of processed name change cases – 61,448
- * Dwelling numbers – 95.6 per cent of all dwellings are registered with a dwelling number
- * Detected false, fictitious or missing notifications of change of address – 24,177, i.e. 5.4 per cent of all notifications of change of address.

Consideration of appeals

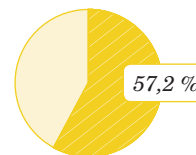
Nearly 94,000 appeals were considered in 2011 relating to tax, value added tax, inheritance tax and the population register. The tax offices also corrected errors in tax returns without an appeal having been filed in approx. 22,000 cases.

The proportion of appeals considered within three months of the deadline for appealing is 93.2 per cent.

Online change of tax deduction card



Number of changes made online of tax deduction cards 2010.



Number of changes made online of tax deduction cards 2011.

From 1 July 2011, electronically downloaded services such as music, games, apps etc. from foreign providers are also liable to value added tax.

* Number of appeals processed

- * Population Register cases, decided by the Population Register – 1,221
- * Population Register cases, decided by the Directorate of Taxes – 348
- * Tax – in total for the income year 2010 – 46,387
- * Appeals concerning previous years – 41,181
- * Considered by the tax appeals board – 4,176
- * Considered by the appeals board for value added tax – 302
- * Inheritance tax appeals considered by the Directorate of Taxes – 105

Third party information

Information that employers, banks, public agencies and child day care centres submit to the Tax Administration is the backbone of the work on the tax assessment for personal taxpayers and pensioners, and it forms the basis for preparing correct tax returns.

- * Number of items of basic data processed – 54.2 million

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 eight per cent.

- * Number of tax subjects liable for VAT – 341,016
- * Stipulated value added tax – NOK 93.2 billion

- * Value added tax collected on imports – NOK 116 billion (collected by the Directorate of Customs and Excise)
- * Total number of statements – 1,589,499
- * Of which VAT refund forms – 403,041
- * Number of appeals to the appeals board – 302
- * Online submission
 - * Percentage of VAT statements submitted online – 92.2 per cent

Inheritance and gifts

The deadline for reporting an inheritance is six months after the death. In the case of advances on inheritance and gifts, the deadline is one month.

- * Number of cases processed – 45,800
 - * Inheritance cases – 23,517
 - * Gift cases – 22,283
- * Stipulated inheritance tax – NOK 1.7 billion

Control results: Record amount uncovered

The Tax Administration's results for 2011 show that last year's controls of 6,000 companies uncovered more than NOK 29 billion that had not been correctly declared for taxation. This is a very high amount, and the result of several large cases that were uncovered during the past year. Two of the cases concerned amounts of more than one billion Norwegian kroner, and another six cases concerned amounts of more than half a billion.

The corresponding figure for 2010 was NOK 6.3 billion, and for 2009 it was NOK 17.2 billion.





Cases reported to the public prosecuting authority

In 2011, the Tax Administration reported a total of 756 persons and enterprises to the police districts and the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). Of these cases, 401 concern failure to submit statements or other offences.

The remaining 355 cases reported concern matters uncovered in connection with tax audits.

About the Tax Administration's staff

- * Number of employees – 6,373 (permanent and temporary)
- * Number of full-time equivalents – 5,943
- * Percentage women – 62 per cent
- * Percentage female managers – 52 per cent
- * Average age – 48.1 years
- * Employees from immigrant backgrounds – 5.5 per cent
- * Employees with functional impairments – 7.3 per cent

The Tax Administration's budget

- * Allocation 2011 – NOK 5,064 billion
 - * Operating expenses – NOK 4,5 billion
 - * Special operating expenses – NOK 144,6 million
 - * Major IT projects, can be transferred – NOK 300,9 million
 - * Major equipment procurements and maintenance, can be transferred – NOK 164,6 million.

