



Skatteetaten

The Norwegian Tax Administration Annual Report for 2005



A society where everyone is willing to pay his dues

The National Population Register celebrates its centenary
“A matter of honour”

We made it easier to do things right

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The Tax Administration assessed taxes totaling approximately NOK 667 billion in 2005, which is an increase of NOK 77.7 billion (13%) compared with the previous year. Total payments of tax and VAT increased correspondingly. The Tax Administration’s service declarations have been followed up and predominantly satisfied, and processing times have been reduced in most areas during recent years. In general, the Tax Administration has been successful in achieving its goals.

Director General of Taxation Bjarne Hope

The National Population Register celebrates its centenary

The National Population Register has developed into Norway’s most important social register. The centenary was commemorated throughout the country.

“A matter of honour”

The year 2005 saw the publication of the book “På ære og samvittighet” (A matter of honour), the history of the Tax Administration from 1892, which tells the story of a part of Norway’s history and development. The taxation system and the administration of taxes reflects the development of the Norwegian society. History shows that the Tax Administration has always placed great emphasis on knowledge, quality and sound judgment. Today, the Tax Administration is renowned as a modern, efficient and user-oriented agency.

We made it easier to do things right

Improvement of the information and services provided to taxpayers coupled with adaptation and development of the Tax Administration's services makes it easier for taxpayers to comply with the rules we administer. New services have improved taxpayers' attitude to the Tax Administration.

Information

The Tax Administration attaches importance to providing taxpayers with the right information at the right time. Major information measures in 2005 included:

- Regular reports on relevant tax topics
- Booklets for employers and the Lønns-ABC (guide to filling in certificates of pay and tax deducted)
- Information and collaboration meetings attended by 5 600 accountants and auditors
- Information to all newly established businesses
- New VAT handbook
- Inheritance tax handbook
- Brochure on the services provided by Altinn
- Common telephone answering service in most counties
- Opening of joint Nordic tax portal
- National guidance service for Internet-based tax returns

Electronic services

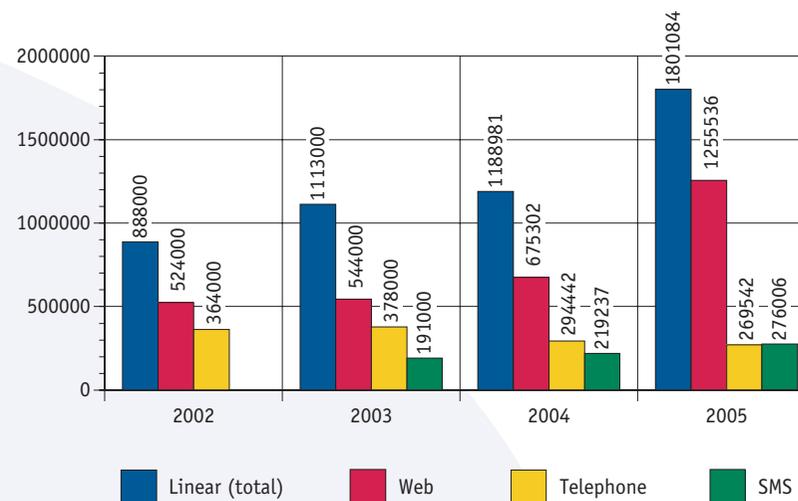
The Tax Administration is well satisfied with developments in the use of electronic services. The new Internet-based tax return for wage-earners and pensioners was already a success in its first year. Taxpayers can now make modifications and additions to all entries in the tax return via the Internet, and all compulsory enclosures are integrated into the system. User surveys indicate that the arrangement has been extremely well received by the general public. The website Norge.no and the weekly newspaper and website Kommunal Rapport elected it the public web service of the year in 2005.

Wage-earners and pensioners

In 2005

- almost 330 000 tax cards or forms for requesting changes to tax cards were ordered via the Internet or SMS text messaging, almost 76 000 more than in 2004
- over 55 per cent of Norwegian wage-earners and pensioners filed their tax returns electronically
 - 1 256 000 via the Internet
 - 270 000 via telephone
 - 276 000 used SMS
- following the tax settlement, 17.6 million searches were made in the tax rolls at the Tax Administration's website, Skatteetaten.no

Electronic filing of tax returns – wage-earners and pensioners



- it was made possible to file notifications of change of address to the Population Register electronically, and altogether 26 per cent of such notifications during the period from September to the end of the year were filed electronically

In 2005 the tax settlement was made available on the Internet. Here it was possible to find information on assessed tax and overpaid or underpaid tax. The service was extremely popular, and was used by approximately 500 000 taxpayers.

Business enterprises and self-employed persons

Business enterprises too increasingly deliver their returns electronically. This is a desirable development. Feedback from users indicates that the electronic services have become easier to use. In 2005, far more business enterprises than ever before delivered their returns on time, and the returns were also freer of errors and deficiencies.

In 2005

- almost 71 per cent more partnerships and taxpayers required to pay tax in arrears or in advance filed their tax returns electronically than in 2004
- in 8 counties, more than 60 per cent of VAT returns were filed electronically, whereas in three counties the proportion was over 70 per cent
- almost 27 per cent of all payment record forms for employer's contributions for the 6th payment period of 2005 were filed via Altinn.
- the proportion of companies filing their shareholder returns electronically increased to almost 60 per cent from 36 per cent in 2004

We continuously assess the need for existing and new filing requirements. We are simplifying forms and intend more forms to be pre-completed with data from our registers. It is estimated that the reduction in the burden of work for business enterprises as a result of electronic returns amounts to 477 FTEs. The electronic forms for the system for assessment of business enterprises and self-employed persons (SLN) for the fiscal year of 2005 has been improved and will result in a reduced burden of work for business enterprises.

The Shareholders' Register / filing of Shareholders' Register returns

Shareholders' Register returns provide the basis for the information in realization statements and stock inventories received by more than 600 000 shareholders in March/April. In 2005, over 62 per cent of the Shareholders' Register returns were filed electronically via <http://www.altinn.no/>. The proportion of returns filed electronically via Altinn has increased since last year. In 2004, a total of 36 per cent of the returns were filed electronically.

The tax rolls on the Tax Administration's website, Skatteetaten.no

The tax rolls were available for searching from 7 to 28 October. A total of 17.6 million searches were made in the tax rolls for persons and companies on www.skatteetaten.no. The corresponding number of searches last year was 19.7 million. On 7 October, 5.8 million searches were made. During the heaviest period, the servers tackled 300 searches per second without experiencing capacity problems.

Advance rulings from local tax assessment offices

Advance rulings are intended to create greater predictability for taxpayers in matters concerning tax and VAT. A recipient of an advance ruling may demand that the ruling is used as the basis for assessment of tax or VAT.

The arrangement involving advance rulings was established in 2001, and to date only the Directorate of Taxes has been able to provide such rulings. From 2005, wage-earners, pensioners and small businesses with simple tax arrangements may receive advance rulings from their local tax assessment offices.

Local tax assessment offices may provide advance rulings in matters concerning taxes, national insurance contributions and employer's contributions, and shall normally respond within four weeks in individual cases. Matters concerning VAT must still be dealt with by the Directorate of Taxes. The arrangement concerning advance rulings has been well received.

Selected examples of advance rulings are anonymized and made available at www.skatteetaten.no/bfu

We combated black economy and tax crime

Measures to combat tax evasion and other forms of economic crime have been given high priority by the Tax Administration. It is intended that taxpayers shall perceive an increased risk of detection. New working methods increase the accuracy of the Tax Administration in selecting control objects and result in high detection of tax evasion.

There are considerable challenges with regard to clandestine employment and tax crime. Globalization of the economy, the increase in electronic trading and increased labour mobility place greater demands on the Tax Administration's competence, methodological development and use of instruments in the performance of administrative tasks.

Control and collection activities are being strengthened in relation to the more demanding commercial sectors in order to improve the detection of tax evasion. This demands competent professional environments with specialized knowledge and multiprofessional collaboration. One measure for raising the competence level of the Tax Administration is specialization. Another important instrument in work on detection of serious tax crime is efficient collaboration with other agencies, such as the police and prosecution authority, the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim), the National Insurance Service and the Norwegian Customs and Excise.

At both local and national levels of the Tax Administration, we employ new technology and new working methods. Recent years have seen a reduction in the use of resources by local tax assessment offices for tax assessment of wage-earners and pensioners and for administration, while there has been an increase in the number of FTEs used for dealing with business enterprises required to pay tax in advance or in arrears.

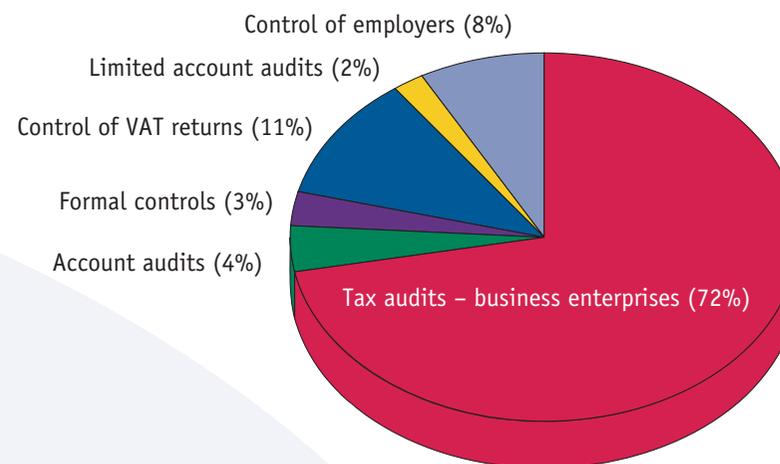
Control activities

It is our intention both to detect tax evasion and to increase taxpayers' risk of detection. The Tax Administration attaches importance to drawing attention to the consequences for taxpayers of failing to comply with the rules. In control activities, the Tax Administration concentrates on a varied and performance-oriented use of instruments. Controls and measures of varying form and content may be conducted by the Tax Administration alone or in collabo-

ration with other agencies and bodies. The number of controls is at the same level as that of the two previous years. Many of these cases are extensive and resource-consuming.

Beyond ordinary tax assessment, 23 per cent of Norway's approximately 490 000 undertakings were controlled in 2005. The following diagram shows the distribution of the control measures carried out.

Percentage distribution of the number of undertakings controlled per sector



Control campaigns in various sectors

Sectoral controls provide the Tax Administration with better information concerning the individual sectors while having a preventive effect on those controlled in the sector concerned. Media coverage and information and preventive effects are given high priority in campaigns. The controls often detect large amounts that have been withheld from taxation. However, repeated and follow-up controls demonstrate that compliance with the rules increases. Several campaigns have been carried out in collaboration with other agencies.

The following circumstances are frequently detected by controls:

- deficient registration of sales and goods purchases
- deficiencies in connection with balancing of cash accounts
- deficient registration of employees
- failure to report payment of salary and/or deficient payment of tax deductions
- incorrectly reported or unreported private withdrawals
- violations of the Tax Administration Act and Accounting Act

Examples of controls carried out in various commercial sectors include:

- **Construction sector**
Many controls of building sites have been conducted throughout the country. Extended reporting requirements have been imposed on large construction projects.
- **Taxi trade**
Control of the taxi trade, among other places in Oslo, has revealed major deficiencies in accounting and pay reporting. Many drivers have unlawfully received social security benefits or social assistance while working illegally. Measures are being considered to make false documentation of income more difficult for the taxi trade.
- **Transport sector**
Information and follow-up in relation to this sector may have raised the awareness of the persons engaged in the business which has itself yielded positive results for our control work. After such an initiative in Akershus, the registered turnover of the transport companies increased by NOK 700 million, 17.1 per cent. Taking the country as a whole, turnover increased by only approximately 6 per cent.
- **Catering sector**
Controls have been carried out in relation to the catering sector throughout the country. Several cases of deficient registration of cash sales were detected, where the cash register was only used for storage of cash. Persons employed in the sector often prove not to be registered in the register of employees or to hold residence permits or they are found to receive various social security benefits.
- **Fisheries sector**
Tax assessment and control of the fisheries sector are coordinated. The work is organized in a network with a joint plan of control involving the participation of the county tax

assessment offices and the local tax assessment offices along the coast. There are cooperation with customs, police and fishing authorities.

Questionnaire survey on black economy

Altogether 40 per cent of the respondents would like to see more frequent control of undertakings. This is shown by a survey of attitudes concerning black economy in the construction, catering, fisheries and alternative medicine sectors. In a corresponding survey in 2002, only 25 per cent wanted more controls. Those taking part in the survey were general managers, finance managers or other managers of 1 626 undertakings.

The survey shows that altogether 45 per cent of the managers believe there to be more unregistered use of labour today than in 2002 (31%). Moreover, they have little knowledge of the rules concerning residence and work permits and tax rules that apply to the use of foreign labour. Over 80 per cent of the respondents say that they have little or very little knowledge of the main points of these provisions. This question was not asked in 2002. Six out of ten managers still believe that tax evasion occurs in at least one out of every ten undertakings in their own sector.

New tax crime units

Five special units became operational during 2005:

- Oslo and Akershus • Northern Norway • Rogaland • Hordaland • Central Norway

By means of this initiative, the Tax Administration has placed tax crime on its own agenda, specializing competence and earmarking resources. The units focus on serious tax evasion and complex cases requiring special competence. The work of the unit is team-oriented and multi-disiplined. At the same time, collaboration with the police and prosecution authority has become closer and more effective. This ensures follow-up of the cases.

Securing of the Norwegian tax base

The growing number of internal cross-border transactions by companies results in the transfer of income to whichever countries have the most favourable taxation. The use of tax-adapted transactions is a common way of minimizing tax payments. Large assets are placed in foreign

countries, and investigations reveal tax evasion on considerable parts of such assets. This results in a greater need for control of disloyal arrangements in order to secure the tax base in Norway.

In the Tax Administration's assessment of tax liability to Norway, we pay particular attention to pricing in connection with transactions between companies in the same group. The Tax Administration has strengthened its competence in this area. The focus on control is being reinforced in order to detect and prevent tax evasion, to develop the rules in these areas and to intensify collaboration on international tax control with the other Nordic countries. Measures carried out in 2005 have resulted in positive effects on both revenues and prevention.

The Tax Administration cooperates actively both in the Nordic area and in the OECD on issues in these areas, among other ways, through its secretariat function in the Nordic working group for transfer pricing and participation in a group under the auspices of the OECD that is investigating company structuring.

Increased compliance in the finance sector

The Tax Administration has implemented a number of measures aimed at increasing compliance in the finance sector. In 2005 the Tax Administration detected such tax evasion by tracing domestic and cross-border cash flow. Obtaining third-party information from Norway and other countries and comparison of information from the Tax Administration's various information sources are important methods in this work.

Each year, the Tax Administration receives automatic and spontaneous control information from other countries, which is followed up.

The new Foreign Exchange Register administered by the Directorate of Customs and Excise was established in 2005. This register will be an important source of information for monitoring, among other things, bank and card transactions to and from Norway. A focus is also being placed on foreign savings and investment products. Exchange of information with other countries' tax administrations is of value here.

We cooperated actively with other agencies

Our collaboration with other control agencies involved in detection of economic crime achieves good results. Active collaboration with the police, prosecuting authority and other control agencies increases the effectiveness of the control work. Our collaboration with a number of professional and labour organizations is instrumental in promoting increased compliance with the tax provisions and accountability of business enterprises. Auditors, accountants and lawyers are major collaborators. We will continue to develop effective networks and cooperative relations both in Norway and abroad in order to provide the Tax Administration with the necessary market insight, technology and other forms of competence.

Our excellent collaboration with other control agencies has been continued in the exchange of information, control, competence enhancement measures and responsibilities in administrative areas. Useful experience has been gained through this collaboration, which helps to provide broader controls while making it easier to combat the activities of irresponsible undertakings. We collaborate with:

- tax collection offices on joint plans of control and on ordinary administrative tasks
- the National Insurance Service on controls and exchange of information. The collaboration agreement on control was revised in 2005. The tax collection offices are a party to the agreement.
- the Customs and Excise Administration on useful control information and operational activities
- the office of the Public Prosecutor, the police and the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) in ensuring efficient and high-quality handling of appropriate matters where prosecution is used as a sanction. A collaboration agreement was entered into in 2005.
- the Directorate of Fisheries and fisheries organizations in appropriate matters
- the Brønnøysund Register Centre, among other types of collaboration, in finding measures to limit the number of Norwegian registered foreign undertakings

Professional organizations

In the long term, the cooperative project "Accountability in the Construction Sector" under the auspices of Collaboration against Economic Crime (SØK) will be an effective instrument for limiting the number of unregistered undertakings and the use of unregistered labour.

Implemented measures make the contractors responsible. One result of the collaboration in Collaboration against Economic Crime (SØK) is the introduction of ID cards on building sites in 2005. The Tax Administration's information and service unit for the construction sector Registerinfo located in Finnmark is also a result of this collaboration which provides tax and VAT information to contracting entities in the construction sector.

Foreign undertakings and employees can now be registered at the Central Office for Foreign Tax Affairs via Altinn. We collaborate with the UDI and the police on developing procedures for information exchange between agencies in order to ensure registration of foreign undertakings and employees.

The Tax Administration has entered into a collaboration agreement with Young Entrepreneurs Norway. This collaboration involves both financial and technical support and enables us to influence the managers of the future. The agreement helps to strengthen the credibility and influence of Young Entrepreneurs by providing young people with insights into the conditions of business enterprises and by promoting honest commercial practices. This work involves the development of educational materials on the topic of tax and black economy for use in lower and upper secondary schools. The educational materials are intended to be used actively in regional schools. A prize for the best accounts is awarded in the Norwegian national Young Enterprise competition.

The collaboration in the Collaboration Forum against Black Economy (collaboration between the Norwegian Association of Local and Regional Authorities, the Norwegian Confederation of Trade Unions, the Confederation of Norwegian Business and Industry and the Tax Administration) has been intensified at the regional level. Emphasis is placed on attitudinal development work aimed at young people. The organizations Young Entrepreneurs and Young Entrepreneurs Alumni are important channels of direct communication with young people.

We collaborate with the Norwegian Financial Services Association (FNH) on various projects aimed at combating black economy, ID theft, etc. Available information helps in analysing behaviour patterns of persons and companies in Norway and other countries.

Authorities in other countries

The Tax Administration has collaborative relations with public agencies in a number of countries in combating tax crime. We exchange information and experience with foreign tax authorities and build up competence in international tax control. Besides joint control measures, assistance is provided in individual cases. Collaborative arrangements include:

- the Nordic-Baltic Cooperation on the Construction Sector and Timber Industry
- collaboration in the Nordic area and in the OECD on issues associated with company group-internal cross-border transactions
- border collaboration with Sweden on improvement of communications, exchange of information and exploitation of resources in the control work
- agreement with the Russian tax authorities on mutual administrative assistance and exchange of information in tax matters
- assistance agreement with 24 countries concerning collection of other countries' tax and, in some cases, VAT claims
- collaboration with the OECD on exchange of experience in the tax area and promotion of increased international collection collaboration
- the Nordic tax administrations' "best Nordic practice" shall form the basis of learning and realization of any gains.

The Nordic collaboration and Nordic-Baltic Cooperation are very active, and working groups collaborate on specific responsibilities both within administration and within control and collection. The Director General of Taxation is the chairman of the Forum on Tax Administration. The purpose of this forum is to promote development of tax administrations in OECD member countries.

In 2005, Norwegian authorities collected NOK 14 million on behalf of foreign authorities. In the same year, Norwegian authorities received NOK 38 million from foreign authorities, which is an increase of NOK 15 million compared with 2004.

Project work

In 2005 too, the Tax Administration carried out a number of large projects, mainly on time and within their budgets. Among other projects, these include a new system for tax collection (SKARP), the tax reform, the shareholders' register and a new system for tax assessment. The IT infrastructure has been renewed and several development projects have been implemented to increase the efficiency of the Tax Administration and modernize its administrative functions.

Pilot operation of a new system for tax accounting and collection of taxes (SKARP) was implemented in two municipalities in 2005. In 2006, pilot operations will be extended and preparations for nationwide implementation will continue as planned.

The Ministry of Finance has requested the Directorate of Taxes to investigate a possible takeover of tax collection by the state as against retention of a municipal solution with a stronger element of state control. The work has been organized as a project with participants from tax collection offices/the municipalities and the Tax Administration.

The Tax Administration has played a major role in the development of the public service website MinSide (MyPage), and has provided access to full names and addresses from the National Population Register. Available services will include electronic notice of change of address, searching the National Population Register, applying for tax cards, ordering copies of tax cards, ordering tax exemption cards and enquiring about the status of tax card applications.

The Norwegian Tax Administration's operations in 2005

In 2005 a total of NOK 667.1 billion in tax was assessed.

Tax revenues

	2003 billions	2004 billions	2005 billions
Total assessed tax	572.8	589.4	667.1
• Tax on income and wealth	211.0	206.9	230.0
• Petroleum tax	91.1	97.1	131.9
• National insurance contributions	58.8	61.1	63.5
• Employer's contributions	79.5	83.8	88.9
• VAT *	131.0	138.8	151.0
• Inheritance tax	1.4	1.7	1.7

* The figures include duty assessed by the Norwegian Customs and Excise. The Tax Administration's share of the revenues for 2004 is 66.8 billion and for 2005 is 69.1 billion.

A correct and up-to-date population register

At the end of 2005 Norway's population totalled 4 640 000 persons, which is 34 000 more than at the end of 2004.

Information from the population registers is used by other public registers and is of major importance for the rights and obligations of individual citizens in relation to the public authorities. Private institutions and organizations too have a statutory right to use the population register to identify persons and addresses.

The Tax Administration receives notifications of births, deaths and marriages from hospitals, probate and bankruptcy courts and the Church. Effective notification procedures are important for ensuring rapid registration of information. Collaboration and measures in relation to bodies that provide such information are a priority area. Updating of the population register was improved in 2005.

In 2005 it was also made possible to notify changes of address electronically via the Internet.

3.3 million tax cards were produced for 2005

Information on the basis for withholding tax for the individual taxpayer and a form for requesting changes to the tax card is enclosed with the tax card. The form can be delivered on paper or electronically at www.skatteetaten.no if there is a need to change information. From 2001 to 2005, the number of changes to tax cards was reduced by 381 000.

Over 3.6 million tax returns are dealt with each year

Assessment is an extensive production task which places considerable demands on service and quality. In April, 3.2 million wage-earners and pensioners received pre-completed tax returns. Over 88 per cent of those who filed pre-completed tax returns received tax settlement in June.

The number of processed tax returns

	2003	2004	2005
Total number of processed tax returns	3 643 000	3 656 000	3 683 000
• Wage-earners and pensioners	3 150 000	3 167 000	3 191 000
• Self-employed persons	331 000	326 000	330 000
• Companies	161 000	163 000	163 000

The Directorate of Taxes received over 41 million basic data statements in 2005

Correct reports from business enterprises are important for the quality of our pre-completion services.

In 2005, 41.7 million statements of bank deposits and interest, loans and interest on loans, pay, grants, insurance payments and automobile purchases were received from persons obliged to submit such statements. In addition to the Tax Administration's own data, this forms the basis for assessment and for production of pre-completed tax returns.

In order to ensure high quality, control of persons submitting statements is an important part of the Administration's control routines.

Assessed tax and national insurance contributions total NOK 426.3 billion

Assessment of individual taxpayers totalled NOK 250 billion in 2005 and amounts to over 59 per cent of the total assessed tax.

Distribution of assessed tax by taxpayer group

	2003 billions	2004 billions	2005 billions
Total assessed tax	356.2	365.1	423.6
• Wage-earners and pensioners	197.6	203.9	214.8
• Self-employed persons	32.2	32.6	35.2
• Companies except petroleum companies	35.3	31.5	41.7
• Petroleum companies	91.1	97.1	131.9

Over 2.6 million personal taxpayers were refunded a total of NOK 22.8 billion in overpaid tax, an average of approximately NOK 8 700, while over 700 000 were charged a total of NOK 12.2 billion for underpaid tax, an average of approximately NOK 17 300.

Central taxation offices

In 2005, the Central Tax Office for Large Enterprises assessed approximately 3 200 companies. Assessed tax totalled NOK 11.4 billion, an increase of NOK 1.9 billion. The number of companies assessed in 2005 was at the same level as the previous year.

The Central Office for Foreign Tax Affairs registered 38 654 foreign employees/persons on contract in Norway or on the Norwegian continental shelf in 2005, an increase of 30 per cent. Most of the foreign registrations are associated with the construction sector, and employees from Poland and Lithuania comprise 75 per cent of the increase.

The number of registered new employers in 2005 increased by 3 700. 3 800 Norwegian departments of foreign undertakings were registered in 2005, 33 per cent more than in 2004.

A total of 27 000 seamen and taxpayers required to pay tax in advance were assessed in 2005, an increase of 44 per cent from 2004. Assessed tax for taxpayers required to pay tax in advance in connection with the ordinary tax assessment for the fiscal year of 2004 was almost NOK 1.1 billion. The Central Office for Foreign Tax Affairs assessed 438 companies and 205 business enterprises required to pay tax in advance in connection with the ordinary tax assessment for the fiscal year of 2004. Assessed tax for taxpayers required to pay tax in arrears in connection with the ordinary tax assessment for the fiscal year of 2004 was NOK 232 million.

The Petroleum Tax Office has assessed NOK 131.9 billion in petroleum tax, which is NOK 34.8 billion more than in 2004. The state's petroleum income varies from year to year in relation to changes in the price of petroleum. Tax assessed in relation to petroleum activities exceeded NOK 90 billion for the fifth consecutive year.

Late filing penalties and additional tax

In 2005, 17 500 companies and 29 000 personal taxpayers filed their tax returns too late and were imposed late filing penalties. This was 12 per cent more than in 2004. Late filing penalties were imposed for a total of approximately NOK 76 million. Of this, NOK 23.5 million was charged to companies and NOK 52.3 million to personal taxpayers. Approximately 3 100 companies, including petroleum companies, were charged a total of NOK 100 million in additional tax. Over 29 000 of the personal taxpayers were charged additional tax totalling NOK 518 million.

Income corrections resulting from the assessment

Besides detecting errors, the Tax Administration makes considerable efforts to ensure that basic data and the information provided by taxpayers themselves results in correct tax settlements.

At the end of 2005 income corrections totalled NOK 10.2 billion as a result of compulsory controls, controls in priority areas and changes in the favour of the taxpayers.

Tax payable in arrears

Since 2004, business enterprises have been allowed a longer time limit for filing of tax returns. At the same time, this change entails that the local tax assessment offices have until 31 May of the following year to control returns, and the final result for the fiscal year of 2004 will not be available until after the assessment is concluded in May 2006. On 31 December 2005 net provisional increases in the income of companies required to pay tax in arrears totalled NOK 5 billion.

All taxpayers required to pay tax in arrears are dealt with by the new electronic system for tax assessment of business enterprises.

Changes after the assessment is finalized

Most matters are decided during processing of the assessment. However, in some cases, additional information is received from a taxpayer or errors are discovered entailing correction of the assessment. Decisions made during the assessment may also be changed as the

result of an appeal. A total of 128 000 cases involving changes in an assessment were dealt with in 2005, which is 6 000 fewer than in 2004 and 24 000 fewer than in 2003. 42 000 changes were made as a result of appeals by taxpayers, almost 8 per cent fewer than the previous year. Corrections are made continuously and appeals are generally processed within three months.

Assessment of VAT

On 31 December 2005, there were nearly 321 000 undertakings subject to VAT registered in the VAT register. The total VAT assessed by the Norwegian Customs and Excise and the Tax Administration amounted to NOK 151 billion for 2005. This is an increase of NOK 12.2 billion compared with the previous year. The increase is due to increased import of goods and services.

In 2005, the Tax Administration received almost 1.5 million VAT returns, and the county tax assessment offices control VAT returns on a continuous basis. When compulsory returns are not received, the VAT is assessed provisionally.

Number of persons and enterprises in VAT register	2003	2004	2005
Total persons/enterprises subject to VAT	316 317	316 750	320 829
• Of this, annual returns	86 056	77 721	75 289
• Of this, bi-monthly returns	29 114	35 511	38 166
Number of VAT returns processed	2003	2004	2005
Total returns	1 462 319	1 482 963	1 514 472
• Of this, refunds	348 172	362 754	380 757

VAT corrections on control by office	2003 billions	2004 billions	2005 billions
VAT – corrections	3.0	2.8	2.7
• Of this, control of returns	0.3	0.3	0.5

Assessment of inheritance tax

The number of inheritance and gift cases increased by approximately 3 000 in 2005, which resulted in a longer processing time. At the end of the year, 86 per cent of all inheritance and gift cases had been processed within six months. 77 per cent of appeals were dealt with within three months.

On-site inspections

In 2005, 19 300 on-site inspections were conducted. Approximately 300 more inspections of information visits and formal controls were conducted in 2005 than during the previous year. Such inspections result in good contact with taxpayers, have a preventive effect and are less resource-consuming than traditional tax audits. Owing to the increased emphasis on weightier matters by the county tax assessment offices, the number of tax audits has been somewhat reduced.

During recent years, the number of tax collection offices has been reduced as a result of collaboration between municipalities. Larger professional environments have been established. Controls are conducted in more municipalities and the quality of the control work has improved. In 2005, 8 072 on-site inspections of employers were conducted by tax collection offices.

Tax collection

On 31 December 2005, 98.9 per cent of all claims for 2004 had been collected. The following table shows the total tax for 2004 assessed and paid on 31 December 2005 by local and county tax collection offices.

Tax collected for the fiscal year of 2004 on 31.12.05 – NOK millions

	Direct taxes		Indirect taxes			Total tax
	Persons	Compa-nies	Inheri-tance tax	VAT	Empl.'s contrib.	
Assessed	250 134	37 929	1 680	126 711	83 874	500 329
Paid	98,6 %	98,4 %	92,9 %	99,3 %	99,8 %	98,9 %
Change	+ 0,2 pp	+ 0,4 pp	- 6,6 pp	+ 0,2 pp	+ 0,1 pp	- 0,1 pp

Business enterprises and self-employed persons paid NOK 126 billion in VAT in 2005. Altogether 97.7 per cent of the VAT claimed was paid voluntarily (on time or delayed), while 1.6 per cent was enforced by the county tax collection offices. The increase in paid VAT of 0.2 percentage points amounts to approximately NOK 250 million. The county tax collection offices have reduced the accumulated VAT outstanding by NOK 260 million during the last year.

Of the total tax on persons and companies including employer's contributions, 98.9 per cent was paid by 31 December 2005. For the country as a whole, the result for payment of underpaid tax increased by 4.7 percentage points compared with the previous year.

A new instrument for more targeted collection activities has been introduced in Norway's two largest municipalities. The use of instruments in collection work is being more closely adapted to individual taxpayers. This has enabled more efficient use of resources and has led to improved results in the collection of underpaid tax in the two municipalities.

Organization and staff**Organizational challenges**

At the end of 2005, the Tax Administration submitted a proposal to the Ministry of Finance for reorganization of the entire Tax Administration. The purpose is to bring about a more efficient distribution of responsibilities so that matters can be dealt with where there are resources and competence.

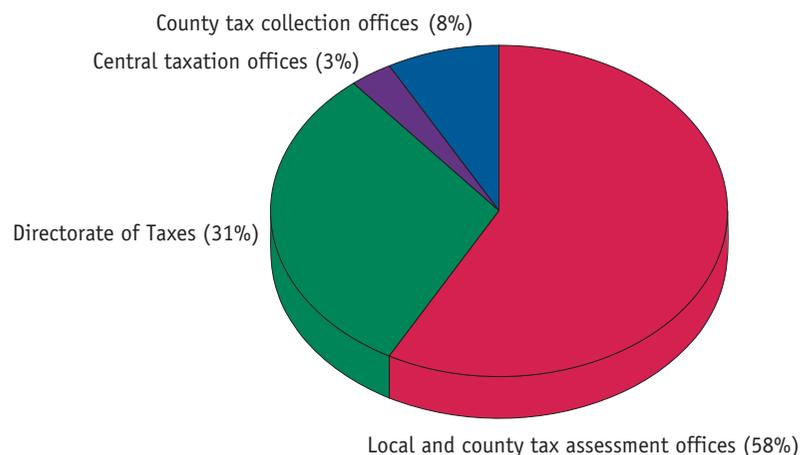
Increased use of electronic services by the general public results in a considerable reduction in visits to the local tax assessment offices. User surveys indicate that the taxpayers value our electronic services. At the same time, we are making efforts to develop a more professional telephone help line and guidance service, able to provide better service to taxpayers.

A national finance centre for the Tax Administration is being established in Lillehammer. We are in the process of developing work organization and training activities for staff appointed. At the same time, roles and services are being clarified, including the distribution of responsibilities between national and local resources.

Finance and staff*The Tax Administration's costs in 2005*

	NOK 1000
Operating costs	3 283 773
Special operating costs	106 698
Major IT projects	182 744
Major equipment procurements and maintenance	131 214
Total	3 704 429

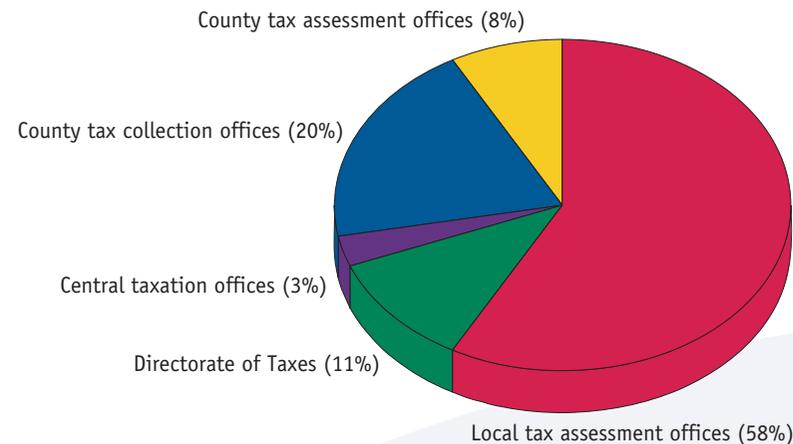
Costs by agency



Labour in the Tax Administration totalled 6 014 FTEs in 2005.

Sickness absenteeism was 6.3 per cent in 2005, an increase of 3.3 per cent compared with 2004. Short-term sickness absenteeism has increased, while long-term sickness absenteeism has been reduced. Several measures have been implemented for better individual follow-up in connection with sickness absenteeism. We are making an effort to ensure a satisfactory working environment throughout the Tax Administration since we believe that a satisfactory working environment plays an important role in reducing sickness absenteeism. As an undertaking committed to the terms of the Agreement concerning an Inclusive Working Life, the Tax Administration makes provisions for employees with disabilities. The Tax Administration has a personnel policy goal of reflecting the society as a whole in its distribution of age, sex and cultural background.

FTEs by agency



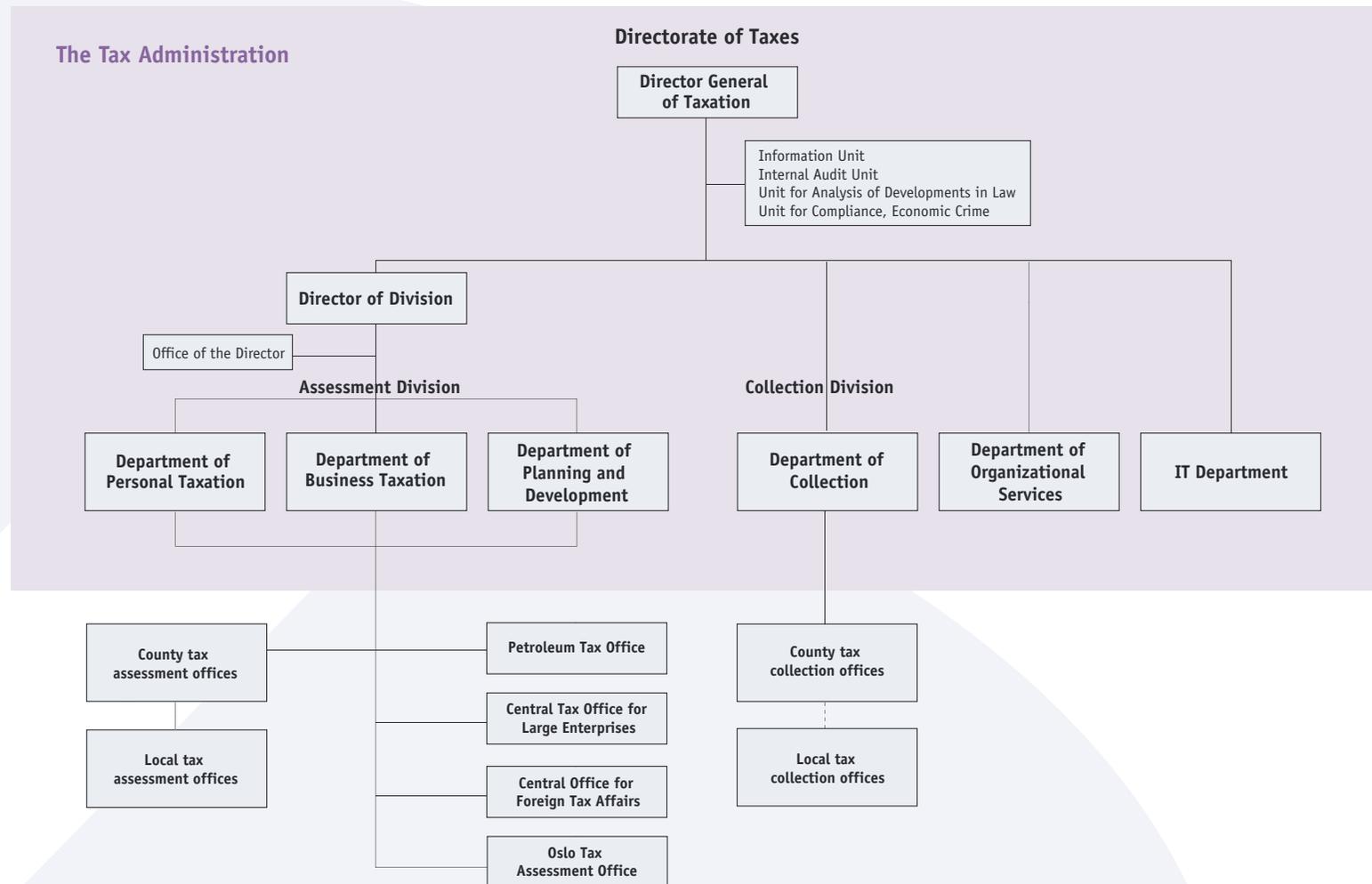
Gender equality is a topic of all management training in the Tax Administration. 44 per cent of the Tax Administration's managerial staff are women. In 2005, the Director General of Taxation, Bjarne Hope, was awarded the Confederation of Vocational Unions' Gender Equality Prize for the high proportion of female managers in the Tax Administration.

In all major restructuring processes, the Tax Administration adopts a personnel-oriented, systems-oriented and organization-oriented perspective. It is thus possible at an early stage of the process to make some indications as to what personnel-related measures should be initiated and what competence and competence development there will be a need for. Staff representatives are consulted early in change processes.

Ethical considerations constitute an important aspect of all of the activities of the Tax Administration. Ethics is also an obligatory topic in all management training provided by the Tax Administration and is an element of the basic training provided for new employees.

Organizational chart

Ministry of Finance





Skatteetaten

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