**Norway:**

**New tax treaty with the United Kingdom**

**Overview**

Norway and the United Kingdom have signed a new double tax treaty which will enter into effect from 1st of January 2014.

The new treaty will replace the existing treaty from 2001, bringing regulations up to date with recent changes in the OECD Model Tax Convention.

**Key changes**

- The new treaty does not address wealth tax. Individual taxpayers will, therefore, be liable to pay wealth tax to Norway as long as they are considered resident in Norway according to domestic legislation. The UK does not impose wealth tax.
- The new tax treaty allows for pensions to be taxed both in Norway and the UK. Double taxation is avoided by allowing tax levied in the state of residence as a credit in the tax levied in the source state.
- Article 7 has changed regarding the allocation of income to permanent establishments.
- An addition has been made to Article 27 on conflict resolution: If the UK and Norwegian authorities do not fully solve a conflict of taxation within two years, the taxpayer may request arbitration.

**Deloitte comments**

As the new tax treaty does not address wealth tax, the liability to pay wealth tax in Norway will fully depend on Norwegian internal legislation – the wealth tax treaty shelter previously available for those who are tax treaty residents in the UK is no longer available.

According to Norwegian internal legislation, an individual’s liability to pay wealth tax to Norway depends on whether the individual is tax resident in Norway or not. It is, therefore, more important than ever to be aware of the conditions of establishing and breaking Norwegian tax residency. Well worth noticing in this regard is that physical presence on the Norwegian continental shelf alone does not result in a Norwegian tax residency with a liability to pay Norwegian wealth tax.

Norway imposes wealth tax on net global wealth above NOK 870 000 for single persons and NOK 1 740 000 for spouses. The rate is currently 1.1 %. The wealth tax may be subject to modifications in the near future due to the recent Parliament election.

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