

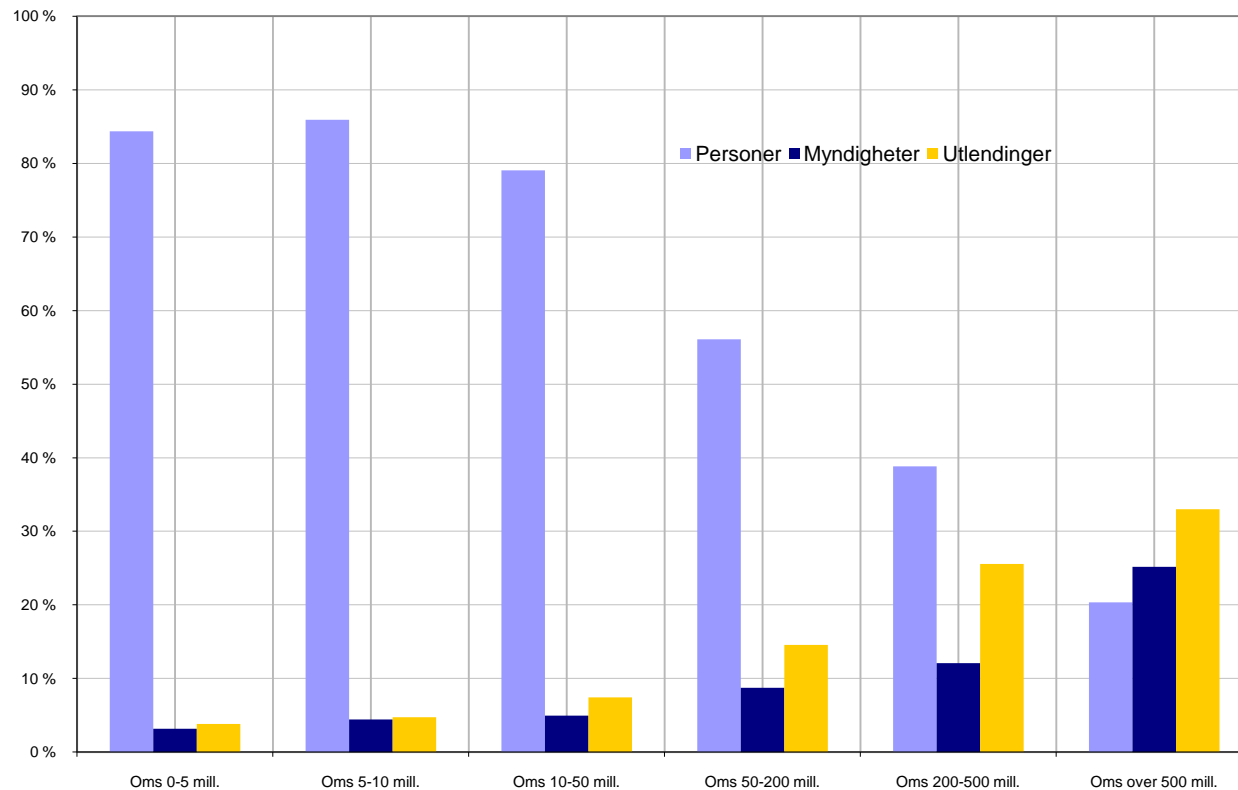
Transfer of ownership in Norway

Paul-Chr. Rieber, President, Confederation of Norwegian Enterprise (NHO)



NHO

Owner-managed business in Norway

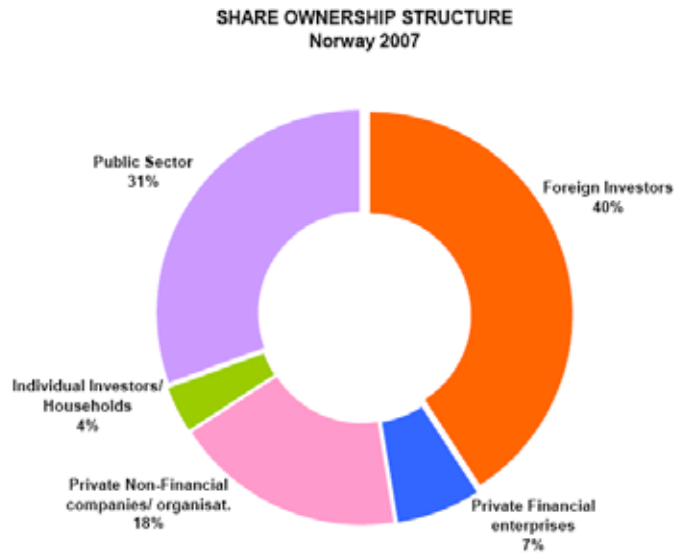


Menon, 2006. Ownership-structure in SMEs in Norway divided between persons(family) Government / municipality and FDI

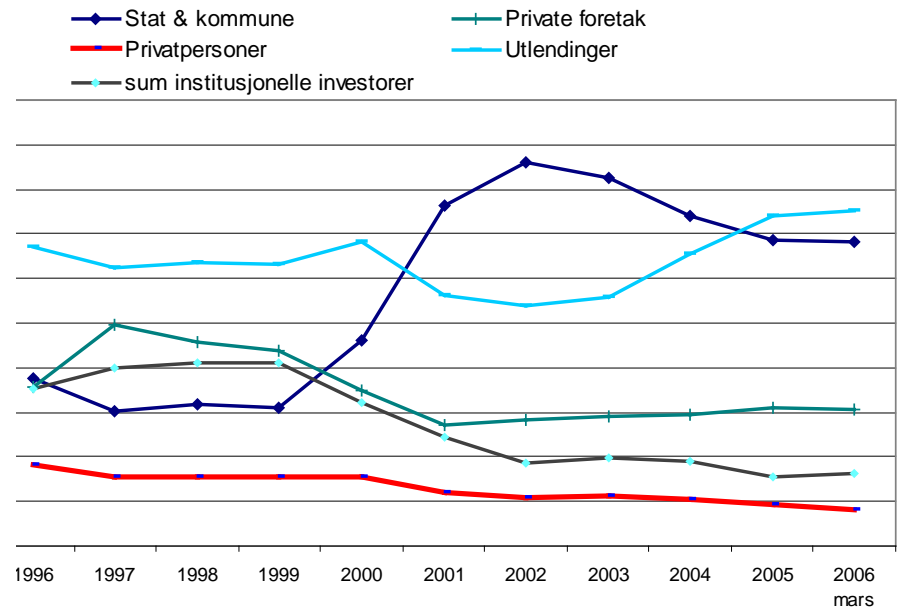
Private ownership – under siege?

Governmental owned enterprises / industry

Trends



FESE, 2007



Menon 2006

Tax conditions private ownership in Norway in general

Main features:

- Corporate and capital tax rate 28 % - 2009 OECD average 26,3 % and EU 23,2 %
- Dividend and capital gains taxation on individual shareholders 28 %
- Exemption method for corporate shareholders
- Net wealth tax
- Inheritance/gift tax
- Stamp duty on transfer of real estate

Wealth tax

- § Tax on total net value of individual tax payer's assets (in principle all kind of assets minus all debt)
- § 1,1 % tax on net value end of each year
- § No limitations/cap related to income of any kind
 - § Net wealth tax in years of deficit, minority owners with small salaries/pensions. Selling out? Loans?
- § Tax free amount EUR 87 500 per individual
- § Tax base:
 - § Business properties: up to 60 % of market value
 - § Vessels: 15-85 % of cost price depending on age
 - § Other business assets: book value, cost price or special rules
 - § Non listed shares = tax value of assets of company
 - § Listed shares: market value
 - § Debt = 100 %

Inheritance/gift tax

(2008 rates in brackets)	Rate children-parents	Rate others
Up to EUR 58 750	0	0
Next EUR 41 250	6 % (8)	8 % (10)
Above EUR 100 000	8 % (20)	15 % (30)

Non listed shares:

Tax base as for the net wealth tax, but

- The first EUR 1,25 mill will be valued to 60 %
- Above EUR 1,25 mill the shares will be valued to 100 %
- Rules give incentives to split ownership on many individuals
- The tax may be paid over a period of 12 years – interest free - if at least 25 % of the company is being transferred

Discussions in Norway – Political challenges

- § Still too low political recognition of the value added by active ownership
- § The cost of ownership and the cost of transfer of ownership is yet to be recognized by red-green parties
- § Transfer of business between generations:
Government in favors of awareness-efforts, but not addressing the costs

Discussions in Norway –Political outlook

Red/green government:

- § **Net wealth tax** important for income distribution (a way to tax the richest) which is a main political objective for this government
- § Net wealth tax base has been broadened, the tax base for wealth tax on dwellings has been opened for further broadening, limitations/cap were abolished in 2008
- § There are discussions about lowering the rate a bit and the tax free amount may be increased a little

- § **Inheritance/gift tax** rates were reduced substantially from 2009, but base broadened for shares
- § Rate reductions led to smaller revenue: would be easy to abolish

Discussions in Norway – stakeholders view

§ NHO:

§ **abolish net wealth tax and gift tax on transfer of ownership**

§ NHO in alliance with 9 other organizations: abolish net wealth tax on working capital (business assets, ref Swedish model)

§ The Norwegian SME Council – addresses the issue of ownership-transfer



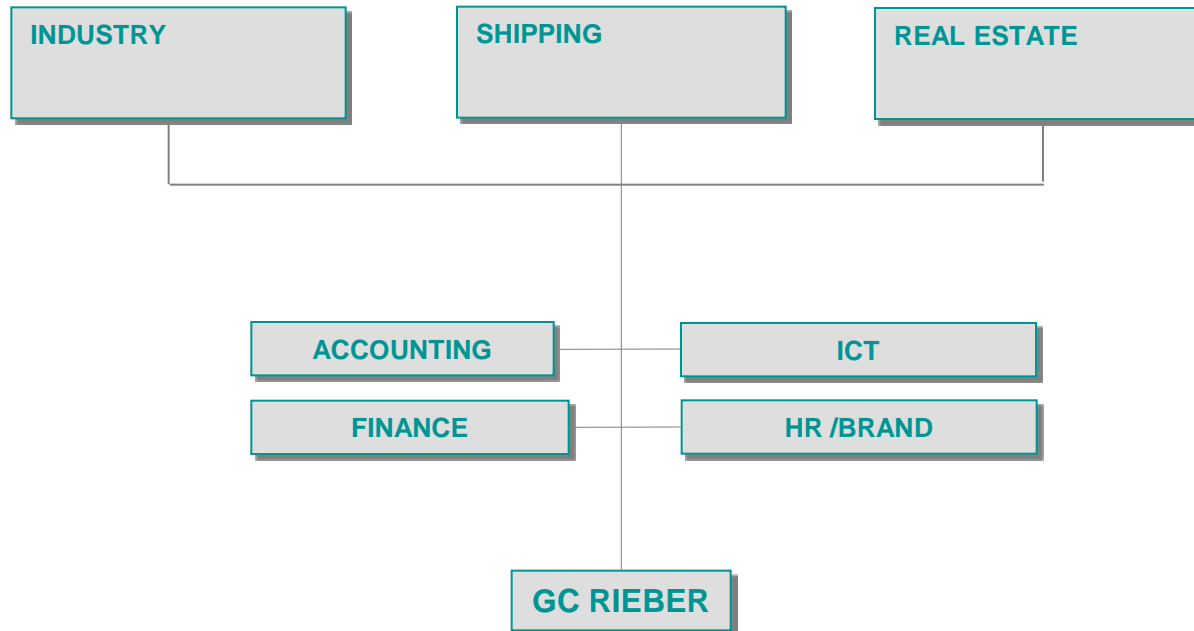
GC Rieber Group - Company case

Influences of taxes on ownership transfes





GC Rieber Structure



Key figures and ownership structure

Key figures:

- § 200 mill. EURO in turnover
- § 700 mill. EURO in total assets
- § 475 mill. EURO in equity (book value)
- § 800 employees
- § 150 shareholders



Ownership structure:

- | | |
|-----------------------------|-----|
| § Private holding companies | 50% |
| § Personal Shareholders | 30% |
| § Charitable Foundations | 20% |

THE NORWEGIAN SYNDROME OF QUADRUPLE TAXATION

Taxes

§ Company pay corporate tax	28% of profits
§ Owners pay dividend tax	28% of net dividends
§ Owners pay wealth tax	1,1% of net wealth
§ Owners pay gift tax	0,3% of net wealth

Personal situation

§ Family income after personal taxes	100.000 EURO
§ Owners part of quadruple taxation	600.000 EURO

Short term consequences

§ Dividend floor determined by owners taxes, not by profits or investment opportunities

Company situation

§ Profits before tax	MINUS	5 mill. EURO
§ Owners part of quadruple taxation	MINUS	3,4 mill EURO
§ Total drain on equity	MINUS	8,4 mill EURO

Longer term consequences

- § Owners must borrow or sell shares
- § Foreign owners can pay higher price for shares than Norwegians
- § More ownership to charitable foundations
- § Less probable that family can continue
- § Increased leverage
- § Threatens the principle of private property rights