



# NORWAY - May 2019

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**SUPREME COURT HEARS PROPERTY TAX CASE ..... 1**

**PRODUCTION EQUIPMENT NO LONGER SUBJECT TO PROPERTY TAX FROM 2019 UNDER THE NORWEGIAN PROPERTY TAX ACT..... 1**

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## Supreme Court hears property tax case

A class action lawsuit against Oslo’s property tax system, filed on behalf of 3,400 Oslo residents, made it into the Supreme Court this week. It claims the Labour Party-led Oslo city government’s property tax is illegal because its burden isn’t equally shared.

“We hope we win the court’s support for our objection in principle that the entire Oslo property tax model ... only applies to 20 percent of the population,” lawyer Bettina Banoun told news bureau NTB.

With a standard deduction of NOK 4 million a property’s value, the tax when it was imposed applied to around 20 percent of the population. As property assessments have risen, more property owners are likely being hit now, but plaintiffs argue that they’re still paying an unfair portion of the hundreds of millions in revenue raised by the property tax.

They lost at the county and appeals court levels but the Supreme Court agreed to hear the case on Monday. A verdict, which likely would have consequences for other municipalities around Norway, is expected in around a month.

## Production equipment no longer subject to property tax from 2019 under the Norwegian Property Tax Act

Due to a new legislative amendment, the industry sector is now exempted from property taxation for production equipment at shipyards, fish farms and oil- and- gas landing facilities, among others.

Machinery and equipment in commercial property, once classified as "works and installations" in relation to property taxation matters, were formerly included in the premises property tax basis if they were sufficiently integrated in the premises. Put differently: The municipalities could impose property tax on machines and equipment integrated in commercial property.

The provision resulted in complicated assessments regarding which machinery and equipment that should be taxed within the property taxation and which was not sufficiently integrated into the facilities. The scope of the provision has been hard to establish as was illustrated by the Norwegian Supreme Court in its dismissal of several judgments related to the understanding of the rule. Even between the different municipalities, there has been a lack of consensus regarding its application. Factories, shipyards, scuds, developed watercourses, dam sites and other industrial plants, are among the few examples of what the Property Tax Act placed within the definition of "works and installations". The legal definition was not complete. In addition, aquaculture facilities and landing facilities for oil and gas have been included, among others. As a result, property tax could be imposed also for the value of the production equipment at the premises, as this was considered a part of the property.

## International Property Tax Institute

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The content of the provision changed after the Norwegian Parliament (Stortinget) in 2017 adopted a legislative amendment, which decided that production equipment, etc. should no longer be part of the basis for property taxation. The new rule came into effect in 2019. The change was made by removing the category "works and installations" as the basis for the property tax liability. Facilities submitted under this category will be covered by the general rules for "commercial property". An amendment has been made in section 4, paragraph 2 and section 4, paragraph 3, first sentence, of the Property Tax Act. Hydroelectric power stations, wind-power stations and facilities covered by the special tax rules for the petroleum industry are not covered by the exemption.

Commercial properties that previously were classified as "works and installations" will benefit from the legislative amendment, given that they hold production equipment that has been subjected to property taxation. When calculating the ordinary corporate and business tax, the property tax on "works and installations" was deductible. This means that the overall effect of the legislative amendment is to some extent reduced.

The value of the buildings, installations and equipment affected by the amendment must now be recalculated. According to a rule of transition, the old system will be phased out over a 7-year transition period.

The difference between the property tax base for 2018 and 2019, that corresponds with the value of the production equipment, must be included for the period 2019-2024, but with a lower proportion for each year (6/7 in 2019, 5/7 in 2020, etc). As of 2025, the new provision will be fully phased in and put in force.

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