



NORWAY - August 2019

OSLO SET TO REFUND SOME PROPERTY TAX 1

Oslo set to refund some property tax

The City of Oslo, which lost a key portion of a lawsuit filed by more than 1,000 property tax payers, is now poised to refund NOK 388 million to 55,000 of its residents. Officials promise no city services will be cut in return.

Oslo’s city government coalition that includes the Labour, Socialist Left and Greens parties, initially wanted to impose property tax on those with the most expensive properties in Oslo, like owners of these waterfront homes at Tjuvholmen. Since property values have risen dramatically, many more city residents are getting hit by the tax as well, and tax bills have risen rapidly. Now at least some of the tax first imposed in 2016 is being refunded.

The Labour Party-led city government in Oslo was simply too quick to impose property tax after winning the last municipal election in September 2015. Based on campaign promises that property tax revenues would be used to improve elder- and child care, they sent out the first property tax notices in early 2016 and started collecting property tax from those holding property worth more than NOK 4 million (around USD 500,000 at the time) shortly thereafter.

A class-action lawsuit filed by 1,110 property owners who found the new tax discriminatory lost their effort to force the city to spread the property tax burden over all property owners, not just those with the most valuable real estate. They prevailed on another issue at the Supreme Court, however, when it ruled earlier this summer that the city demanded property tax payments too quickly in 2016, by not giving residents enough time to pay from when the first official notification of the looming tax was made.

That means all the property tax paid in 2016 was demanded and collected illegally. The Labour government’s 50 percent increase in the tax rate in 2017 was also illegal. The city should only have been able to collect at a rate of 2 percent on assessed value from 2017, not the 3 percent charged.

Windfall for the city partially reversed

Robert Steen, the Labour Party politician in charge of finances for the City of Oslo, noted that the city is legally obligated to only refund the money to the plaintiffs in the class-action lawsuit, which would amount to around NOK 9 million. He told state broadcaster NRK, however, that the city thinks “in this special case” that it’s “reasonable” that all taxpayers receive refunds of the taxes they collectively paid in 2016 (NOK 250 million) plus for the illegal increase in tax bills in 2017. That amounted to a total of NOK 138 million.

He said the refunds of property tax, which provided a windfall in new revenues for the city, “will have no consequences” on city services. He claimed that “the most important thing” about the Supreme Court’s decision is that Oslo’s city government “was within its rights to impose a moderate property tax to finance necessary welfare services.”

It remains questionable how “moderate” the property tax is, since it can amount to thousands of kroner a year. Even at the “moderate” tax rate of 3 percent of assessed value, and with a standard deduction that now amounts to NOK 4.6 million, actual

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tax bills have had double-digit increases, in some cases as much as 32 percent year-on-year. That's because the market values of homes in Oslo have risen dramatically, so tax bills rise accordingly.

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