

# Human Resource Services\*

## News from the Nordic countries



Issue 1, January 2009

### Introduction

With the start of a new year, we bring you the first Nordic Newsletter in its changed format. In the now bi-monthly newsletter, we will continue to update you about developments in the Nordic countries in respect of immigration, tax and social security. In addition, each issue will focus on a theme, providing information on this theme per country. In this issue: tax residence rules and tax return filing obligations. Furthermore, we include information on seminars or events which may be of interest to you. Please continue to provide your feedback to us.

Erland Nørstebø – Partner HRS Norway

### News

#### Norway

In December 2008, the Norwegian Government proposed to implement source taxation on various pension payments with source in Norway. The source-tax will apply to pensions paid from:

- The Norwegian National Insurance Scheme
- Governmental occupational pension schemes
- Companies registered in Norway as far as the receiver has earned pension rights in the Norwegian National Insurance Scheme
- Abroad, when the company has a Norwegian limited tax liability and the receiver has earned pension rights in the Norwegian National Insurance Scheme

The right to levy taxation at source in Norway will in many cases be limited by existing double tax treaties. The Nordic tax treaty has already been amended in order to give the source state the right to levy taxes on pension payments with Norwegian source. It is expected that Norway will work on amending other tax treaties in line with the Nordic tax treaty.

The tax rate is expected to be 15%, and the new regime will most likely enter in force from 1 January 2010.

#### Finland

The annual information return regarding salaries paid in 2008 should be submitted to the Finnish tax authorities by the end of January 2009. It should be noted that also foreign employers who do not have a permanent establishment in Finland are liable to file the information return if they have paid salaries to an employee who is regarded as tax resident in Finland in 2008. The information on the salaries paid should be given by submitting the form 7801ev08 to the tax authorities by the end of January.

### CLIENT EVENTS

11 February 2009

HR issues in a downturn

Helsinki, Finland

# Theme: Residence rules and tax return filing

## Norway

### Tax residence:

Under the Norwegian Tax Act, an individual who is physically present in Norway for more than 183 days during a period of 12 months or 270 days during a period of 36 months will be deemed tax resident in Norway. Tax residence occurs as from the income year in which the number of days of physical presence exceeds the number of days mentioned above. Resident individuals are taxable on their worldwide income and wealth. Non-residents have a limited tax liability. For example, an individual hired out by a foreign employer to a Norwegian company to temporarily perform work in Norway is tax liable for employment income derived from the work carried out in Norway from day one.

### Tax return filing obligation:

The tax year is from 1 January until 31 December. Any individual liable to Norwegian tax is obliged to file a Norwegian Tax Return. The main filing deadline is 30 April of the year following the income year, but for individuals employed by a foreign entity the filing deadline is 31 March of the year following the income year. Assessments are issued in June or October of the same year.

## Denmark

### Tax residence:

Denmark distinguishes between full and limited tax liability.

### *Full tax liability*

A person becomes fully tax liable by taking up residence in Denmark or staying in Denmark for more than six consecutive months. Residence in Denmark exists if an individual has a home available in Denmark and takes up residence there. Generally, taxation starts from the date of arrival. An individual who does not have a residence will become subject to full Danish tax liability if she/he stays in Denmark for a period of at least six consecutive months. Individuals who are fully tax liable to Denmark are taxed on their worldwide income.

### *Limited tax liability*

A person may become limited tax liable to Denmark if she/he i.e. works for a Danish employer. Limited tax liability is restricted to income from Danish sources.

### Tax return filing obligation:

The tax year is from 1 January until 31 December. The ordinary filing deadline is 1 May. The tax authorities will send the annual assessment with the available information reported to the tax authorities during March. The tax payer thus does not have to file a tax return unless the reported information is not sufficient or not correct. In case of foreign income or if the tax payer has a limited tax liability, the filing deadline is 1 July. In such cases, a tax return is sent to the tax payer. If the tax return is filed after the deadline, a penalty of up to DKK 5 000 applies.

## Sweden

### Tax residence:

According to national legislation, a person is determined as resident in Sweden if:

1. the person's permanent home is located in Sweden, or
2. the person stays in Sweden continuously for more than six months, or
3. the person has an essential connection to Sweden, i.e. has important social or economical ties to Sweden. A foreign individual who has never been resident in Sweden cannot be considered resident through essential connections to Sweden.

A continuous stay in Sweden is only broken if the person leaves Sweden for a period exceeding the period of time spent in Sweden. Residents in Sweden are taxed on the worldwide income and assets. The Swedish tax liability can be limited by applicable tax treaty.

### Tax return filing obligation:

Resident individuals file a tax return for the preceding year annually. The tax return is filed in the beginning of May or in the middle of June if an extension is granted by the Tax Agency.

## Finland

### Tax residence:

An individual is deemed to be resident in Finland for taxation purposes if she/he has her/his habitual abode in Finland or if she/he continuously stays in Finland for more than 6 months. In principle, a tax resident is liable to tax on her/his worldwide income and liable to file a Finnish tax return each year.

An individual is regarded as non-resident for taxation purposes when his/her stay in Finland does not exceed six months. A non-resident is subject to Finnish income tax only on income received from Finland. In principle, a non-resident is not liable to file a Finnish tax return. However, if she/he has received income that is subject to an income tax assessment (instead of tax at source being collected) in Finland, e.g. rental income, a Finnish tax return should be filed.

### Tax return filing obligation:

The filing deadline for the 2008 Finnish tax return is either on 7 May or on 14 May 2009. The filing deadline is marked on the pre-completed tax return form which is sent to the individual from the tax office in April 2009. The pre-completed tax return is based on the information that the tax authorities have received directly from the income payers (e.g. salary income). If there is nothing to add or correct on the pre-completed tax return, the individual does not have to return it to the tax office.

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