



COVID-19: Government Support Package Norway

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COVID-19: EMEIA EY Government Support Package



In a series of announcements, the Norwegian government has set out three crisis packages (latest 12 May) to support public services, people and businesses through the disruption caused by the COVID-19 outbreak. The measures focus on supporting employment, providing cash flow support to businesses, increased welfare support and government spending on various measures and projects. These measures became increasingly substantial as Norway had closed school and businesses within a variety of sectors (hospitality, leisure, bars, culture, etc.) and despite the re-opening of most businesses and increased normality, the measures continue to give significant aid to affected businesses

Outside the imposition of civil restrictions, the measures can be grouped into six main areas which are being delivered via four distinct channels.

Areas being addressed:

1. Providing liquidity through financing schemes
2. Enabling temporary lay-offs to be financed by the government
3. Support for businesses through reduced or delayed taxes and VAT
4. Cash-flow support to closed businesses
5. Government spending on various projects
6. Increased innovation and research grants

These aims are primarily being delivered through:

- ▶ The banking system in terms of both financing schemes that have been announced;
- ▶ The governmental bond fund;
- ▶ The central tax system for reduced or delayed taxes and VAT;
- ▶ The benefit system though paid income for temporary lay-offs and statutory sick pay; and
- ▶ Increased innovation and grant schemes

Norwegian Government announced responses

Liquidity and financing		Cash flow measures	Tax and VAT
<p>Coronavirus state guaranteed loans</p> <p>Helps businesses affected by coronavirus to access bank lending guaranteed by the state up to 90% of the loan. Maximum loan amount is NOK 50 million for SMEs and NOK 150 million for larger businesses, with maximum maturity period of 3 years.</p>	<p>COVID-19 governmental investment fund</p> <p>The new COVID-19 state fund will invest in bonds issued by larger Norwegian companies to be listed on the Oslo Stock Exchange. Loans must be issued on market terms and with a credit rating above CCC+ (or equivalent).</p>	<p>Cash support</p> <p>Companies directly affected by COVID-19 measures, i.e. certain businesses that have been closed by the government (e.g. hairdressers), shall be eligible to cash support under certain requirements with a limit of NOK 20 billion. The scheme is focusing on distributing cash quickly and establishing easy application procedures to ensure a non-bureaucratic process.</p>	<ul style="list-style-type: none"> Corporate income tax law is being amended to allow companies to carry back 2020 losses to offset profit from 2018 and/or 2019. Deadlines for corporate income tax, employer social security contributions, VAT payments and certain excise duties have been postponed. Temporarily reduce the lower rate of VAT from 12 % to 6 %. Temporary tax relief measures are implemented for oil and gas companies. Depreciation rate for machinery acquired in 2020 is proposed increased from 20% to 30%.
Other support measures and grants		Employment support	Welfare
<p>Start-ups and innovation support (NOK 4.6 billion)</p> <ul style="list-style-type: none"> Reduced interest rates and interest support on innovation loans. Increased grants for new innovation and science projects. Incubator support (NOK 50 million). NOK 1 billion in increased seed investments by the public seed investment fund. 	<p>Other measures to note</p> <ul style="list-style-type: none"> Increase environmental technology fund investments. NOK 200 million to green shipping. Immediate start of new maintenance projects within rail, road and safeguarding. NOK 1 billion to support students, in addition to increased loans. Suspend tax on air passengers for flights until Oct. 2020 and payments of aviation charges until June 2020. 	<p>Temporary lay-offs</p> <p>Employers may temporarily lay off employees if there are reasonable grounds. If an employee is temporarily laid off, they should typically be eligible for unemployment benefits. Additional measures have also been implemented, such as reducing the period in which employees need to be paid 100% of their salary to 2 days from 2 weeks.</p>	<ul style="list-style-type: none"> Increasing the percentage of income coverage under 3 G (1 G = NOK 99,858) for unemployment benefits. Reducing the unemployment benefits eligibility threshold. Reducing the period in which employers must pay staff for sick leave to 3 days. Doubling the number of paid days for childcare that employees are entitled to.

Liquidity and finance: Governmental loan and guarantee package for Norwegian businesses

To secure the liquidity of Norwegian businesses under new legislation that came into force on 27 March 2020, financial institutions are now able to grant loans to businesses with the government guaranteeing up to 90 % of the loans. This arrangement is limited to NOK 50 billion.

Who is eligible?

Eligibility criteria includes:

- ▶ Norwegian registered businesses', meaning businesses with a right and duty to register in the Norwegian Register of Business Enterprises.
- ▶ The legislation differentiates between SMEs and larger businesses. SMEs are considered to be businesses that at a consolidated level i) have fewer than 250 employees, and ii) have a turnover per year not exceeding EUR 50 million or iii) have a balance not exceeding a total of EUR 43 million. Larger businesses are businesses that does not fulfill neither criteria i) and ii) or iii) above.
- ▶ Businesses that under "normal" circumstances would be profitable.
- ▶ Businesses experiencing sudden liquidity challenges mainly due to COVID-19.
- ▶ Businesses that were experiencing financial difficulties as at 31 December 2019 (notwithstanding their financial year end) are not eligible. For this evaluation there are added criteria's for larger businesses.

What does it cover?

- ▶ The Government will support lending through financial institutions by guaranteeing up to 90% of newly provided loans. This is limited to NOK 50 billion.
- ▶ A new loan under the scheme cannot exceed NOK 50 million and two times the SME's labor costs for 2019. The loan shall as far as possible be given on the same conditions as under normal circumstances, and must not have a term exceeding 3 years. The loan amount may in particular cases be higher than NOK 50 million, depending on documented liquidity needs of the company for the next 18 months. For larger businesses the maximum loan amount under the scheme is NOK 150 million, and the applicable period for documented liquidity needs is 12 months .
- ▶ An annual guarantee commission shall be charged by the Government to the lending financial institution at a rate of between 0.25% - 0.5% of the guaranteed amount.
- ▶ Currently this scheme is only expected to apply to new loans agreed prior to 31. December 2020, however, this may be extended.
- ▶ Loans obtained under this scheme cannot be used to refinance existing loans.

Practicalities

- ▶ Companies will need to demonstrate that if it was not for the COVID-19 related disruption, a lender would extend a loan to them.
- ▶ Companies will need to consider which and how many lenders to approach and how to give themselves the best chance of success – the total debt burden must not be an obstacle for future success.

How is it assessed?

- ▶ Companies can apply for loans under this package directly with one of the 150+ accredited financial institutions.

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Liquidity and finance; (re)establishment of the Norwegian governmental bond fund

The Norwegian government has decided to (re)establish the Norwegian governmental bond fund to provide liquidity to the corporate bond market. The fund's investment limit is NOK 50 billion.

The legislation related to this package came into force on 27 March 2020, and the fund's mandate was published on this day too.

How is the fund administered?

- ▶ The majority of investments by the fund in the corporate bond market will be to non-financial businesses. Investments in banking and financial institutions cannot exceed 50% of the fund's investment capital.
- ▶ Investments shall be made in bonds listed on the Oslo Stock Exchange and should be on market terms and made with other third-party investors.
- ▶ Up to 50 % of the fund can be invested in bonds issued by companies with an investment grade equivalent of a S&P's credit rating of BB+ or lower. No investments will be in bonds with a rating of CCC or lower (or equivalent).
- ▶ In the primary market, the fund shall invest alongside other investors.
- ▶ Once certain investment volume thresholds are met the fund must be able to demonstrate that investments have been made in line with market prices.

Which instruments can the fund invest in?

- ▶ The Fund can invest in interest-bearing instruments and cash deposits but these are limited to;
 - ▶ Negotiable bonds and other negotiable debt instruments issued by Norwegian companies;
 - ▶ Cash deposit; and
 - ▶ Financial derivatives and currency instruments that are similar to bonds.

Additional information

- ▶ The National Insurance Fund has determined performance measurement and a control and risk management framework that complies with internationally recognized standards and methods.
- ▶ The fund shall report publicly on its administration and performance of the fund.
- ▶ The fund shall report on an annual and 6 month basis.

Amendments to the Norwegian Securities Trading Act

- ▶ The Norwegian Parliament has passed amendments to the Securities Trading Act relating to mandatory bids that must be made to minority shareholders in a takeover context. Currently bidders must pay sellers the highest price paid for any shares purchased in the last six months.
- ▶ Given the fall in market prices, the aim of the amendment is to ensure that all shareholders are given the same opportunity to sell on equal terms and that bidders pay a price that reflects current market value.

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Compensation scheme (cash support) for companies with significant decrease of revenue

A cash compensation scheme was approved on 31. March 2020 to provide cash to businesses that have experienced a significant decline in revenue due to COVID-19.

The law and corresponding provisions were passed on 17 April 2020.

The main goal of the package is to partially cover businesses' current operating expenditure, focusing on establishing easy application procedures, broad eligibility and swift pay-outs.

Who is eligible?

Eligibility criteria's is regulated by law and provisions, the main criteria include:

- ▶ Businesses that are registered in the Norwegian business register and are under Norwegian taxation, that have experienced a significant decrease in revenue (min 20 % in March and 30 % in April and May) due to COVID-19 pandemic or the related restrictions imposed by the Norwegian Government.
- ▶ The formula for compensation for companies that are forced closed by the government: $\text{Lost revenue (\%)} * 0,9$. For other companies: $\text{Lost revenue (\%)} * (\text{fixed monthly cost} - \text{deductible}) * 0,8$.
- ▶ The scheme is not applicable to business which was already filing, or in the process of filing for deregistration, closure or bankruptcy/liquidation prior to the implementation of the cash support scheme.
- ▶ Businesses operating in finance, oil, aviation businesses with Norwegian AoC, shipping, energy, private kindergartens and public companies or businesses without employees are not eligible for cash compensation under the scheme.

What does it cover?

The scheme:

- ▶ Has a budget of NOK 80 millions per month per company until the end of May 2020.
- ▶ Aims to cover part of the distressed businesses' 'unavoidable' expenses and fixed costs, such as rent, interest on loans, long-term loans, rental of equipment, insurance and accounting costs.
- ▶ The aid granted is limited to cover expenses for March, April and May only.

How is it accessed?

- ▶ The Norwegian Government has set up a digital portal to handle applications in an as easy and efficient way as possible, with a focus on swift cash distributions to a broad number of companies.

What are the practical considerations?

- ▶ The scheme was approved by the Norwegian Parliament on 31 March 2020 and a digital application portal has been set up. The digital application portal can be found at www.kompensasjonsordning.no
- ▶ The portal is now open for applications under the scheme.
- ▶ The deadline for applications for March, April and May is 31 July 2020.
- ▶ The deadline for applications for June, July and August is 31 October 2020.

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Stimulus package for small businesses, start-ups and entrepreneurs

The Norwegian Government announced on 27 March 2020 a new NOK 4.7 Billion stimulus package focusing on small businesses involved in R&D projects.

The package will increase Innovation Norway's already large budget. The funds will be allocated to several key aid schemes, including interest support schemes, innovation and establishment grants, loss provision support and other grant schemes.

An additional new green package of NOK 3.6 billion for innovation and research is proposed by the Norwegian Government.

Who is eligible?

The increased funding will mainly be allocated to pre-existing schemes managed by Innovation Norway, including the following:

- Interest subsidy scheme: Companies that have borrowed under existing schemes and incurring interest expenses may be able to obtain interest subsidies. This subsidy can also be given to companies who are financing early stage R&D projects.
- Innovation loans: This is mainly aimed at SMEs, but the scheme may also apply to large companies.
- Innovation grants: Aimed at promoting and stimulating small businesses involved in manufacturing and services, intellectual capital and R&D.
- Establishment grants: This is for entrepreneurs and start-ups with innovative business ideas and growth potential, but who have limited access to equity.
- A new temporary support grant of NOK 50 million for incubators and entrepreneurial programs to ensure that incubators can continue to provide services and guidance to start-ups and growth companies.
- A new growth guarantee scheme where 75 % of bank loans to scale-ups are guaranteed by the Innovation Fund.

What is available?

- Grants to entrepreneurs and growth companies of NOK 2.5 billion, as well as grants of NOK 50 million to private start-up / incubators (who offer loans to start-ups) in order to maintain offers for start-ups.
- Increased loan limit on innovation loans to NOK 3 billion. At the same time, an additional NOK 250 million is allocated to R&D activities in the business sector.
- The public investment company has been granted an increased investment capital NOK 1 billion to improve access to seed funding.

How is it accessed?

- The budget increase is primarily directed at schemes already managed by Innovation Norway, the Research Council of Norway and the public investment vehicle, Investinor.
- For more information:
- <https://www.innovasjon Norge.no/no/>
- <https://www.forskningsradet.no/>
- <https://www.investinor.no/>

What are the practical considerations?

- Since several of the support schemes are already in place, and the new measures merely increase their budgets, it is expected that companies can benefit from the increased funding relatively quickly.
- Companies eligible for innovation grants or R&D incentives, will need to apply to the relevant public authority (e.g. the Public Innovation Fund) for the applicable grant.

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Norwegian companies can now offset 2020 tax losses against taxable profits generated in 2018 and/or 2019.

What is the future cashflow support?

Losses incurred in 2020 may now be carried back and offset against profits recorded in 2018 and 2019. The losses available to be carried back are limited to NOK 30m. This will be applied automatically. As companies are liable to pay tax for the 2020 tax year in 2021, the cashflow effect will first be recognized in 2021. However, the Government assumes that the adjustment will improve the companies' access to short-term loans in the transitional period.

This rule applies for all taxable entities in Norway for the year 2020, 2019 and/or 2018.

Technically, the carryback is calculated as a tax deduction of 22% of the tax losses incurred in 2020, limited to the taxable income for 2019 and/or 2018. For companies under the current financial tax regime, the rate is 25%.

What are the practical considerations?

To optimize the effect, companies should take this into consideration when determining their group contributions for the 2019 tax year. Group contributions are a mechanism available in Norway to consolidate taxable income in a tax group. A company holding more than 90% of the shares in a subsidiary may form a group for tax purposes.

As the deduction is granted automatically, companies that do not wish to apply the deduction must specifically claim this in their tax return for 2020 which is due on 31 May 2021. This may be the case if the company has not endured financial distress due to the crisis, and that they would rather carry the losses forward. Under Norwegian tax legislation, losses can be carried forward indefinitely.

For companies taxed partly under the petroleum tax regime, the temporary changes under the general tax regime will only apply for the income not included in the tax base taxed under the petroleum tax regime.

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Norwegian companies can now postpone payments of tax obligations and certain excise duties.

What payments can be deferred?

The Norwegian government has extended the deadline for the following tax payments:

- Second instalment payment for 2019 corporate income tax: Deadline extended from 15 April 2020 to 1 September 2020. However, electric power enterprises will not be able to postpone advance tax payments on ordinary income.
- First VAT instalment for 2020: Deadline extended from 14 April 2020 to 10 June 2020.
- Deadline for payment/reporting extended from 18 April until 18 June for the following excise duties: road tax on petrol, unmarked mineral oil, bioethanol, biodiesel, natural gas and LPG imported into/produced in Norway, the basic fee on mineral oil etc., the CO₂-excise duty on mineral products, sulphur excise duty, excise duty on alcohol, (incl. tech. ethanol), excise duty on non-alcoholic beverages etc., excise duty on beverage packaging: environmental tax and basic tax.

- Deadline for payment of the employers' social security contributions: for term 2, the deadline for payment is postponed from 15 May to 17 August 2020. For term 3 the deadline for payment is proposed extended from 15 July to 15 October 2020.

What are the practical considerations?

- Corporate Income tax filings for 2019 are postponed from 31 May to 31 August 2020.
- VAT filings will be due as normal.
- No interest shall accrue due to the extension of payments approved by the Government. For further extensions, the Government has proposed that to reduce the interest rate on late payments from 9.5 to 6% p.a.
- No application needs to be made for the deferral of the VAT payment.
- In the event that prepayments of tax have already been made, the company can contact their local tax authority to claim the prepayment of tax back.

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Cash flow support: accelerated depreciation rate for machinery & others

The Government has proposed temporary accelerated depreciation rates for newly acquired machinery for the 2020 fiscal year.

What assets can be depreciated at an accelerated rate?

For newly acquired assets that fall in asset group D (machinery, passenger cars, movable furnishings, etc.), the depreciation rate is proposed temporarily increased to 30% for the income year 2020. The increased depreciation rate shall apply also to qualifying additions made to such assets in 2020.

The increased depreciation rate shall not apply for fixed assets acquired from related parties (i.e. ownership or control for at least 50%).

What are the practical considerations?

- The increased rate of 30% will apply only to assets acquired from the time the proposal enters into force and until the end of 2020.
- Tax payers planning to invest in fixed machinery assets should consider making the investment in 2020 to benefit from the accelerated depreciation scheme.

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The Government proposes reliefs for companies taxed under the petroleum tax regime for temporary deduction of investments cost and refund of value of certain tax losses.

What is the future cashflow support?

On 12 June 2020, the Norwegian Parliament adopted temporary tax stimulus measures for oil and gas companies. The main features are:

- ▶ Oil and gas companies can depreciate 100 % of investments against special tax basis (56%) of investments in 2020 and 2021.
- ▶ The uplift is increased from 20.8 % (5.2 % for four years) to 24 % in the year of investment.
- ▶ Companies generating tax losses may receive a cash refund of the tax value for their losses in 2020-21.
- ▶ The temporarily measures are applicable for investments made in 2020 (after 12 May) and 2021, including investments for projects where a plan (PDO* or PIO**), plan exemption application or application for significant amendment of already approved plan, is submitted by the end of 2022 and sanctioned by the end of 2023, until the year of planned production start-up.
- ▶ * - PDO: Plan for Development and Operation of petroleum deposits.
- ▶ ** - PIO: Plan for Installation and Operation.

What are the practical considerations?

- Companies should reassess project economics with the new measures in place for investments.
- Refund of tax value of tax losses should improve short/medium term liquidity issues.

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Suspension of aviation charges, a temporary reduction of the 12 % VAT rate to 6 % and a reduction in employer's social security contributions.

VAT reductions

- The tax on air passengers for flights in the period 1 January until 31 October 2020 has been suspended.
- Aviation charges have also been suspended until 31 June 2020.
- Temporary reduction of the VAT low rate from 12 % VAT rate (applicable on passenger transport, cultural events etc.) to 6 % from 1 April 2020 to 31 October 2020.
- Proposed postponing the deadline for municipalities and counties to submit tax returns (RF-0009) for first term 2020 from 10 June 2020 to 31 August 2020
- From 1 April 2020, natural gas and LPG used for chemical reduction / electrolysis and metallurgical and mineralogical processes will be exempted from CO2 taxes. The Ministry is aiming for a gradual escalation of the CO2 taxes from 2021.

Reduction of other taxes

- The employers national insurance contributions for the third payment period of 2020 is reduced four percentage points and a compensation scheme for employers in zone V (target zone) and Svalbard is being introduced. The employer social security rate varies dependent on where the company is established in Norway.
- The third payment period is relating to May and June 2020.

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Employment: temporary lay-offs

Businesses that need to temporarily reduce their workforce due to the COVID-19 pandemic may temporarily lay-off their employees instead of having to terminate their employment.

To furlough/ temporary lay-off employees is a temporary measure where the employee's obligation to work and the employer's obligation to pay salary is suspended. The employer is under normal conditions obliged to pay salaries for 15 days following a temporary lay-off. This period has now been reduced to 2 days. Following the 2 days, the State pays the employee salary. During furlough the employment relationship continues to exist, and it is assumed that the work stoppage is temporary.

What's measures are implemented due to COVID-19?

Under Norwegian law, all companies can temporarily lay off employees due to temporary difficulties, e.g. loss of income. In connection with these rules, the following measures have been implemented:

- Previously, when the lay-off period commenced, employers had to pay 100% of the employee salary for the first 15 days of the lay-off period (employer period). This has temporarily been reduced to 2 days. The income is taxed in line with normal rules. The Parliament has decided to repeal the reduced two-day employer period and implement a ten-day employer period. The changes are in effect from 1 September.
- Following the employer period, the State assumes the obligation to pay the employees salary (limited to 6 G = ca. NOK 600,000). Laid off employees are guaranteed salary compensation (unemployment benefit) by the State equal to 100 % of their income for the first 18 days after the employer period has expired. Thereafter, the employees are guaranteed 80% of their income up to 3 G (1 G = NOK 99,858). For income between 3 G up to 6 G, laid-off employees receive 62.4% of their salary. Income above 6 G is not compensated.
- The threshold to be eligible for salary compensation when laid-off is reduced from 1.5 G to 0.75 G, and it is sufficient for the employees working hours to be reduced by 40% (formerly 50 %).

- Self-employed individuals and freelancers receive compensation for loss of income from day 17 after the loss of income began. The temporary securement of income shall be equal to 80% of average income in the last year and is limited to a maximum of 6 G.
- To ensure that that laid off employees receive the unemployment benefits as swiftly as possible, the National Insurance System ("NAV") may grant unemployment benefit (equal to 60 % of the income), without processing the application. The advance payment will be offset against NAV's final decision.

How long may a temporary lay-off period last?

- A maximum of 26 weeks. The Government has proposed to extend this to October for employees that are near to exceed the maximum period for unemployment benefit.
- This period has been extended to June for people who are nearly exhausting the maximum period for unemployment benefit.

What are the requirements?

- This scheme applies to all business and it does not restrict an employer's ability to subsequently reduce the size of their workforce.
- Temporary lay-offs require reasonable grounds related to the business and not the employee.
- The employer must act reasonably in evaluating who should be laid off, i.e. principles of selection of who is to receive the lay-off must be adhered to and documentation maintained.
- In addition, the employer must follow a prescribed line of action / procedure, which includes notifying NAV and fulfilling its obligations with respect to providing information and consulting with the employees' elected representatives / employees and work-councils (arbeidsmiljøutvalg).
- Following notifying the NAV and consulting the employee's selected representatives/employees, the employer is normally required to give the employees a 2 week notice period prior to the temporary lay-offs being effective. The effects of the COVID-19 may be considered an unforeseen event and may justify a 2 day notice period.

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Sick-leave pay

The employer period for paying salary related to sick-leave due to COVID-19 is reduced from 16 days to 3 days. The current 100 % coverage of sick leave pay up to 6 G (approx. NOK 600,000) is not adjusted by the Parliament.

Self-employed workers and free-lancers are entitled to sick leave pay from the NAV/National Insurance System from day 4 of the period of sickness.

Paid days for childcare

The paid days for taking care of small children (12 years and younger) is doubled from 10 days to 20 days. The employers are to pay 3 days of the care leave while the State pays the rest (limited to 6 G). **The Government has proposed normalization of the allocation scheme from July 2020.**

Self-employed workers and free-lancers are to receive paid care leave from the State from day 3.

The right to receive unemployment benefit during public holidays

Normally NAV does not pay unemployment benefit during public holidays. The legislation is meant to prevent employers from temporarily laying off their employees right before the holidays to lower salary costs. Employers may however apply for an exemption.

This has now been amended and NAV will pay employment benefit even if the benefit day is a public holiday.

Governmental grants for suspending effective lay-offs

The Parliament has passed an act on grants for employers that choose to suspend an employee's temporary lay-off.

If the employer has had a decrease in revenue of at least 30 % the employer is entitled to a monthly grant of NOK 15 000 for each employee that returns to its former employment percentage.

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Our tracker provides a snapshot of the policy changes that have been announced in jurisdictions around the world in response to the COVID-19 crisis.

Policy changes across the globe are being proposed and implemented on a daily basis.

The document will be updated on an ongoing basis but not all entries will necessarily be up to date as the process moves forward.

Key jurisdictions covered by the Response Tracker include:

- | | | | |
|------------------|--------------|-------------------|------------------|
| ▸ Australia | ▸ Denmark | ▸ Malaysia | ▸ Sweden |
| ▸ Austria | ▸ France | ▸ New Zealand | ▸ Switzerland |
| ▸ Belgium | ▸ Germany | ▸ Norway | ▸ Taiwan |
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