



# Norway

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Foundation, Cooperative, Corporation, Limited Liability Company, Trust

**Five main social issues addressed by these organizations:** Arts and Culture, Health and Medical Research, Religion, International Causes, Social Service

**Average time established by law to register a philanthropic organization:** 0-30 Days

**Average cost for registering a philanthropic organization:** US \$0

There is no need to register a PO in Norway. However, many organizations choose to be included in the Central Coordinating Register for Legal Entities to get an organizational number, which is a requirement for getting a bank account in the name of the organization. Registration is free. However, organizations that are employers and pay Value Added Tax (VAT) are required to register in the Register of Business Enterprises. This costs about US \$270.

There is also a nonobligatory register for fundraising organizations operated by a private foundation called the Fundraising Control (*Innsamlingskontrollen*) established by the fundraising organizations themselves. It has established a code of conduct, monitors audited accounts and annual reports, keeps a public list, and awards an accreditation seal to approved organizations. One important criterion is that 65 percent of the donations should go to the designated purpose over a period of 5 years or less. Cost for registering a fundraising organization is US \$485. Registered fundraising organization has to submit audited accounts every year, and there is a membership fee of 0.1-0.2 percent of the organization's operational expenditures.

**Government levels primarily regulating the incorporation of philanthropic organizations:** State Government

### Philanthropic Environment Scores:

Year	Ease of Operating	Tax Incentives	Cross-Border Flows	Political Environment	Socio-Cultural Environment	OVERALL SCORE
2018	5.0	4.0	4.5	4.5	4.0	4.40

## I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.*

### Question 1: To what extent can individuals form and incorporate the organizations defined?

<b>Score: 5.0</b>
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The Register of Non-Profit Organizations, established in 2009, is intended to simplify the interaction between voluntary associations and public authorities by providing systematic statistics and policy-relevant research and information; in doing so, it aims to strengthen the legitimacy of voluntary activity. Only voluntary associations, foundations, and non-commercial limited liability companies that only distribute funds to nonprofit activities are eligible for registration. Registration is free. While registration is optional, the number of registered organizations is steadily increasing as registration is a requirement for receiving the grass root share from gaming (Norsk Tipping), value added tax (VAT) compensation, and other benefits.

There is also a register for fundraising organizations operated by a private foundation called the Fundraising Control [*Innsamlingskontrollen*] established by the fundraising organizations themselves. The parliament abolished the Law of Registration of Fundraising in 2015 because this is an area that the organizations can take care of by themselves.

Whereas a 'nonprofit' or 'voluntary organization' is not a distinct legal category in Norway, and may take any form and can remain unregistered, a 'foundation' is defined by law. There is a central register for foundations in connection with the Norwegian Gaming and Foundation Authority, which checks if activities are in line with the Foundation Legislation Act and the foundation's statutes. All foundations in Norway have to be registered. The Norwegian Gaming and Foundation Authority also supervises and controls all private and state-operated lotteries, to make sure that the proceeds go the purpose.

The government regulations are intended to promote accountability and public trust in POs. The debates and hearings before the establishment of the Register for voluntary organizations show that there is broad political support for organizational freedom and for avoiding obligatory registration and unnecessary bureaucracy.

### Question 2: To what extent are POs free to operate without excessive government interference?

<b>Score: 5.0</b>
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In general, the government respects an organization's internal democracy and freedom to communicate through media. However, for organizations that receive support, there is a greater emphasis on economic accountability and transparency, in particular in regard to service provision. The state of trust between the State and organizations is to some extent reduced, and New Public Management (NPM) tools have been implemented here, as in other service sectors. Civil society

organizations that get public support for particular projects must write reports and submit accounts. In order to apply for general support, they must submit documentation of the number of members, type of activities, organization structure, statutes, etc.

On the other hand, many aspects of POs are left unregulated or scarcely regulated, which indicates that a substantial element of mutual trust remains. Additionally, organizations that do not receive support do not need to report to the government, except normal tax and business reporting. For example, certain larger organizations have to submit their annual accounts to the central register for business accounts because they have a statutory obligation to keep accounts.

### **Question 3: To what extent is there government discretion in shutting down POs?**

<b>Score: 5.0</b>
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As there is no legal regulation of voluntary organizations as such, there is no legal regulation of dissolution or banning of such organizations (except for organized crime). The Foundation Law specifies certain circumstances where the Foundation Authority may start a process of liquidation. However, this can only be done after the request of the founder or the Board, or if the purpose in the statutes can no longer be served, for example because of a lack of capital.

The Party Act (§ 5) determines that ‘when the party has not issued a list of election candidates in any constituency at two consecutive parliamentary elections,’ it will be deregistered.

In general, a PO cannot be terminated because of its activities, but a party or a foundation can be terminated because it fails to serve its purpose.

## **II. Domestic Tax and Fiscal Issues**

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

### **Question 4: To what extent is the tax system favorable to making charitable donations?**

<b>Score: 4.0</b>
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The maximum sum of deductible donations from individuals and companies to voluntary associations was NOK 12,000 (US \$2,200) from 2005 to 2013, but it increased gradually to NOK 25,000 (US \$3,000) in 2016. The smallest deductible amount is 500 a year to each organization. The list of Norwegian organizations that qualify for deductible donations has gradually extended to more than 500 organizations in 2016. It includes a broad spectrum of activities—from culture and recreation to environment, religion, peace and human rights, development and disaster aid, as well as general social and welfare associations. To be deductible, the donated amount must be reported by the organization to the tax authorities, which means that the donor’s personal data must be registered. In 2015, the average deducted amount was NOK 4,300 (US \$520), and 683,324 taxpayers used the opportunity to deduct gifts (Statistics Norway, 2017).

The government supplements private donations of at least EUR €373,000 (NOK 3 million, US \$360,000) given to 'long-term, basic research' with 25 percent of the donated amount. Authorized recipients of state-supplemented donations are universities with doctoral rights, the Research Council, and the Norwegian Academy of Science and Letters. This arrangement was terminated in 2011, but reintroduced in 2014 by a conservative minority government. It also introduced gift reinforcement for the cultural field – first for museums, and in 2016 music, literature, scenic and visual arts, and cultural buildings were added. The total frame increased from NOK 10 million (US \$1.2 million) in 2014 to NOK 45 million (US \$5.4 million) in 2016, which is still quite modest. Most of the donations that are state-supplemented come from foundations, and only a smaller percentage from private persons and companies.

**Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?**

Score: 4.0

There is no difference in income-taxation between donations received by POs and other income. However, voluntary organizations and foundations are, in general, exempt from tax on income related to nonprofit, idealistic purposes, such as sports, culture, recreation, religion, or social benefit. In addition, registered voluntary organizations also benefit from VAT exemptions. They do not have to pay VAT on many important types of income, including membership fees, sale of organizational goods, lotteries, gifts, flea markets, irregular advertisements, as well as cafe, kiosk, and food sales in connection with the organization's activities. These types of income are considered non-commercial by the tax authorities. Nonprofit organizations also have somewhat higher basic amounts exempt from VAT, employer's tax, and income tax than business enterprises. The law recognizes nonprofit organizations as business enterprises, but with limited modifications in certain areas of taxation.

In 2001, VAT on services was introduced in Norway and the Parliament granted voluntary associations a right to full compensation. In 2010, the compensation was extended to include all types of VAT. The amount allocated by the government only covered 49 percent of the VAT in 2012, but increased to 78.3 percent in 2014 and declined slightly to 76.3 percent in 2016. The plan is to gradually increase the budgeted amount until it covers full compensation for all VAT. In 2014, the amount was NOK 1.2 billion (US \$144 million), and in 2016, it reached NOK 1.3 billion (US \$156 million). Although this is still not enough to give full compensation, it represents substantial economic support for the nonprofit sector.

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

**Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?**

Score: 4.0

There are no additional costs, but only a few listed international organizations can get tax-exempt gifts from private persons and companies. There is little regulation in this area. However, the authorities try to stop donations from reaching terrorist organizations.

**Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?**

Score: 5.0

Norway does not receive many donations from abroad. There are no additional costs, and the regulation is of little consequence.

### IV. Political and Governance Environment

*The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.*

**Question 8: To what extent is the political and governance environment favorable for philanthropy?**

Score: 5.0

The relationship between the Norwegian State and voluntary organizations and other POs has traditionally been based on mutual trust, rather than control. Norway has been labelled a 'state-friendly society,' where the population has a relatively high trust in state institutions and voluntary organizations work closely with governmental bodies. Even though the ideological distance can be considerable, adversary actors are accepted as legitimate participants in the policy discourse by the government (Kuhnle and Selle, 1992; Grendstad et al., 2006). They may even get public support for being "watchdogs" in areas like environmental protection, equal opportunities, human rights, development and disaster aid, and support for marginalized groups.

**Question 9: To what extent are public policies and practices favorable for philanthropy?**

Score: 4.0

The present government is trying to promote philanthropic values, and it encourages self-regulation by the POs. Examples are the abolishment law of a fundraising register, increased tax exemptions, and state-supplemented donations in the research and culture areas. There is also a lot of positive attention toward donors and volunteers from the government.

**V. Socio-Cultural Environment****Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?**

Score: 4.0

People, in general, trust POs; however, philanthropy has had a slow start in Norway. In the post-war period, the labor movement considered philanthropy as a concealer for underlying social problems or as a cover operation for rich to help the rich. In the seventies, organizations for sick and people with disabilities argued that nobody should have to rely on other people's generosity to pay for his/her basic needs. State guarantees to meet these needs was a matter of dignity and basic human rights. Therefore, policymakers did little to promote private donations by tax deductions or institutional changes. Rather, philanthropy has been regarded as largely unnecessary, except for serving certain fields perceived as outside the public sector's core responsibility, such as missions, religious congregations, help to the homeless and substance abusers, medical research, and foreign development and disaster aid.

In the early 20th century, the popular movements grew strong by activating broad segments of the population in membership activities and volunteering. In relatively poor but equal local communities, many people could give a little of their time even if they were short of money. This was also appealing to people's sense of work ethic.

Consequently, philanthropy has only in recent years become a significant force in society in Norway. Still, volunteering and non-market transactions are the primary way for the population to support nonprofit organizations. However, the share of the population that donates money has increased from 51 percent in 1998 to more than 70 percent in 2014, probably as a result of increased prosperity, increasingly professional operations by fundraising organizations focusing on recruiting personal sponsors and regular donors, and the introduction of tax-deductions on donations in year 2000. In addition, a number of new, large foundations have changed the foundational landscape in the new millennium. This is, partly, a result of rich families and persons donating money to grant making foundations in science, medicine, culture and arts, and, partly, a result of conversion of mutual insurance companies and saving banks to limited companies. Some of the shares of converted companies are held by foundations representing the former mutual ownership, who have an obligation to support similar purposes as the saving banks and mutual banks used to.

## VI. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

### Current state of the philanthropic sector

The philanthropic sector is still growing, and it is catching up with the size in other rich, western countries. There are few legal and bureaucratic limitations on fundraising, but there are also relatively limited tax-incentives on donations, in particular from private companies. The government tries to emphasize the importance of donations in culture and other areas that previously had public sources of income. It has become more normal for households to give money to voluntary organizations, and people have more positive attitudes toward fundraising. Still, the fundraising organizations use limited resources on development and education.

### Three major recent events affecting the philanthropic landscape between January 2014 and December 2016

- The maximum sum of deductible donations from individuals and companies to voluntary associations was NOK 12,000 (US \$2,200) from 2005 to 2013. However, it increased gradually to NOK 25,000 (US \$3,000) in 2016 and in 2017 it will be NOK 30,000 (US \$3,600). Although the average tax-reported donations only increased from NOK 4,000 (US \$480) in 2014 to NOK 4,300 (US \$520) in 2015, there may be significant long-term effects of the strong increases in the maximum deductible amount. The voluntary organizations received more than NOK 3 billion (US \$360 million) in 2015 from tax-exempt gifts, which means that the total tax-cuts for donors were about NOK 735 million (US \$6.1 million). This is money that the government otherwise would have received in income-tax payments;
- Abolishment of the Law of Registration of Fundraising in 2015 shows that the government and the parliament have strong confidence in POs' ability to self-regulate registration and promote the sector's credibility; and
- The government reintroduced supplements to private donations of at least EUR €373,000 (NOK 3 million, US \$360,000) given to 'long-term, basic research' with 25 percent of the donated amount in research in 2014. It also introduced gift reinforcement for the cultural field—first for museums, and in 2016 for music, literature, scenic and visual arts, and cultural buildings. The total frame increased from NOK 10 million (US \$1.2 million) in 2014 to NOK 45 million (US \$5.4 million) in 2016, which is still quite modest. However, this signals a stronger recognition and support for donations in Norway.

### Future development trends in the philanthropic landscape

There is a strong increase in shares of households that give to voluntary organizations. The average amount has also increased more rapidly in recent years. In a population survey, the share of people that said that because they afford it, they feel a moral obligation to help voluntary organizations with money increased from 49 percent in 1998 to 59 percent in 2014. This probably reflects both a strong

increase in disposable household income and that more households are regular donors. Norway has been catching up with other rich, western countries. For organizations with a strong reputation and professional fundraising operations, the income from donations will probably increase further.

Directly and indirectly, as an effect of the booming oil-economy, more Norwegian individuals and families have established large fortunes, and some of them donate money to grant making foundations in science, medicine, culture, and arts. Before the year 2000, there was less private capital and, therefore, also a much smaller foundation landscape in Norway than in neighboring countries. Unless the economic situation deteriorates, this development will probably continue.

### **Three key recommendations to improve the environment for philanthropy**

- The tax incentives for donations from private companies are still quite weak in Norway compared with other rich western countries. The deductible amount from income tax of NOK 25,000 (US \$3,000) in 2016 to listed organizations applies to both individuals and private companies. However, sponsoring with an advertising deal is tax-deductible, as is other business-related spending. A more liberal approach could probably increase donations from private companies to POs;
- The government supplements to private donations for research and culture mostly apply to grants from foundations that probably would have happened anyway. This kind of support seems to attract few new donations from individuals and private companies; and
- Although the Law of Registration of Fundraising is abolished, it is important that the fundraising organizations keep using resources to promote responsible practices. There is increased competition from smaller fundraising operations that begins in social media, and some of them do not have legitimate purposes. It is an increasing challenge for donors to recognize the difference. The fundraising organizations could help by raising awareness about the Fundraising Control's accreditation seal, the register of approved organizations, and the warning list with fundraising operations that do not live up to the standard.