

Royal Ministry of Finance

EFTA Surveillance Authority
Rue de Trèves 74
B-1040 Brussels
Belgium

Your ref
SEA073.400.013

Our ref
02/2738 SL RHN/KR

Date
23rd September 2002

Dear Sir,

Subject: Complaint concerning taxes on import of vehicles

Reference is made to the Authority's letter dated 16 August 2002 in which the Norwegian Government is invited to answer some questions regarding importation of used motor vehicles by workers moving their residence to Norway from other EEA countries.

Reference is also made to the Authority's letter dated 7 August 2001, and our reply dated October 2001. The letters dated 7 August 2001 and 16 August 2002 includes several similar questions and most of the issues raised in the Authority's letter dated 16 August 2002 have already been addressed.

The Ministry would like to present the following information, prepared in consultation with the Directorate of Customs and excise.

Preliminary remarks

The main regulation concerning importation of motor vehicles is regulation No 268 on registration tax issued by the Ministry of Finance 19 March 2001. The regulation No 267 on importation of motor vehicles in connection with the owner's taking up of residence in Norway is issued by the Ministry of Finance 19 March 2001. This regulation has been repealed by regulation No 1407 issued by the Ministry of Finance 12 December 2001 with effect from 1 January 2002.

Please find enclosed a translation of the regulation No 267 and the regulation No 1407 concerning the repeal and a brochure explaining the old provisions. Enclosed is also a brochure concerning regulation No 268 explaining the process of importing a motor vehicle to Norway and how to calculate the taxes that must be paid in connection with the registration.

Answers to the questions raised

1.

According to the regulation No 267, a person could obtain exemption from value added tax and registration tax when meeting certain requirements. The main requirements are regulated in sections 3, 4, 5 and 6 of the regulation. These are requirements of both actual and formal residence abroad for at least five years prior to entry, a required period of registration in the owner's name for at least one year prior to entry and requirement of valid driving licence and mileage.

A person moving to Norway after residing abroad for more than two years, but less than five years, would benefit from a deduction in the registration tax based on the vehicles age. The table used in this case is contained in regulation No 267 section 7:

Older than 1 year	20 %
Older than 2 years	35 %
Older than 3 years	50 %
Older than 4 years	55 %
Older than 5 years	65 %
Older than 6 years	75 %

According to regulation No 268 section 3-3 all second-hand vehicles is subject to a deduction in the registration tax based on the vehicles age, see under question 5 for details. The most favourable table will apply.

According to the transitional arrangements, these regulations will apply for persons taking up residence in Norway before 1 June 2003 if the motor vehicle was acquired before 11 October 2001.

2.

Outside the scope of the transitional arrangements, the regulation No 268 now also applies to import of motor vehicles in connection with the owner's taking up of residence in Norway. This means that registration tax always shall be paid when the vehicle is registered in Norway. Value added tax must be paid upon the importation. We refer to the answer under question 5 for closer details.

3.

According to Statistics Norway, in the period 1996-98 57 per cent of all households owned one car, while 19 per cent owned two cars or more. There were on average 0.87 cars per household in 1998. Counting all vehicles, the average was more than one vehicle per household. 40 per cent of the households consisted of only one person. Based on these statistics, it would be fair to say that a vehicle is a part of a normal household in Norway.

4.

The former exemption for vehicles imported in connection with the owner's moving his residence to Norway was highly demanding on the recourses of the custom administration. In addition it caused problems related to the principle of equal treatment before the administration. Considering these elements the exemption for vehicles imported in connection with the owner's moving his residence to Norway was repealed. Under the new regime all import of used cars are subject to the same regulation.

Registration tax is calculated in the same way and according to the same procedure whether the vehicles are imported or manufactured in Norway. Since the registration tax only are payable the first time the vehicles are registered in Norway, second-hand vehicles previously registered in Norway do not follow the same procedure as imported second-hand vehicles. A person purchasing a second-hand vehicle previously registered in Norway pays registration tax as part of the purchase price amounting to the residual value of the registration tax paid on the vehicle as new. In addition he/her must pay a tax in order to change the registration from the seller to him-/herself. This contrary to a person importing a similar vehicle

5.

The prima facie rule is that *all* motor vehicles for personal transport registered in Norway for the first time are charged with registration tax. This is the case whether the vehicles are new or second hand. Registration tax comes in addition to the value added tax paid on importation.

The VAT is based on the customs value set forth in the "Agreement on implementation of article VII of the general agreement on tariffs and trade 1994 (Agreement)", and carried out in regulation No 4917 issued by the Ministry of Finance 3 December 1980. According to the regulation No 4917 section 2 (Agreement article 1) the customs values of imported goods shall be the transaction value. The transaction value is the price actually paid or payable for the goods when sold for export to the country of importation adjusted in accordance with the provisions of section 9 (Agreement article 8). Refunded VAT is not part of the taxable value set according to regulation No 4917. If the VAT paid abroad is refunded after the import to Norway the transaction value may subsequently be reduced accordingly. The value added tax in Norway is 24 %.

The customs value cannot always be determined according to the provisions of section

2. This could be the case if the vehicle is used abroad for period between the sale and the importation to Norway. The customs value then has to be determined by proceeding sequentially through the succeeding sections in regulation No 4917 to the first such section under which the customs value can be determined. The customs value in those situations is intended to reflect the vehicles actual value by the time of importation.

As mentioned under question 2 all motor vehicles not previously registered in Norway are subject to registration tax when registered in the Central Motor Vehicles Register (Autosys) at a district office of the Norwegian Public Roads Administration. The calculation of registration tax is based on the vehicle's amount of engine power in kW, weight and cylinder capacity in cm³.

The registration tax on second-hand vehicles not previously registered in Norway is subject to a deduction according to a table in regulation No 268 s. 3-3:

Older than 6 months	12 %
Older than 1 year	17 %
Older than 2 years	30 %
Older than 3 years	36 %
Older than 4 years	42 %
Older than 5 years	45 %
Older than 6 years	50 %
Older than 7 years	55 %
Older than 8 years	59 %
Older than 9 years	63 %
Older than 10 years	67 %
Older than 11 years	70 %
Older than 12 years	73 %
Older than 13 years	76 %
Older than 14 years	78 %
Older than 15 years	80 %
[...]	

The age is calculated from the date of the vehicles first registration (abroad) and to the date of registration in Norway. Motor vehicles which are 30 years or older is levied a fixed registration tax of NOK 2857 per vehicle.

In addition all motor vehicles, with the exception of tracked vehicles and motorcycles are subject to a recycling deposit tax when registered. The recycling deposit tax is set to NOK 1 300 per vehicle.

The table in section 3-3 in regulation No 268 is based on a report made by Transport-økonomisk institutt in January 1995. The purpose of the report was to find the average

actual depreciation of motor vehicles in Norway. The report is based on two publications with the prices on new and second-hand vehicles in order to find the actual depreciation. This is why the reduction given in the registration tax is higher in the first years of the vehicles age. The numbers includes both vehicles for personal transport and vehicles for transport of goods. The number of vehicles for personal transport amount to app. 80 % of the total.

6.

It is not given any reduction in the tax payable, neither the registration tax nor the VAT, for the VAT paid in the Country of purchase, subject to the situations where the VAT paid abroad is refunded on export.

Yours sincerely,

Heidi Heggenes
Deputy Director General

Rune Håvard Nygaard
Adviser

Enclosure

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